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THE TARIFF OF 1913. I

On October 3, little more than four years after the Payne-Aldrich bill became law, a tariff act, under discussion in both Houses of Congress for six months previously, was signed by President Woodrow Wilson. The tariff of 1913, now law, is of peculiar interest in American economic history. For the first time since the Civil War, it places the country upon a footing of only moderate tariff protection. It represents a return to the early and historic policy of the United States and thus constitutes a direct and significant breach with the industrial system slowly developed during the half-century just ended. The last tariff revision preceding that of 1909 was contained in the Dingley act of 1897; and that in turn had superseded the act of 1894 in which an effort had been made to restore the antebellum low-tariff policy. This last effort, however, was not successful, and it required only the time necessary for a change of administration to force its repudiation. Now, after the lapse of a somewhat similar period, subsequent to the revision of 1909, the culmination of the high-tariff policy which began with the war has been likewise rejected by an electorate which thus signified its wish for a return to the earlier system of the United States. A true understanding of the act of 1913 will conduce to the proper comprehension of the next few years of American industrial development, and will permit a correct judgment with regard to the effect of protective tariffs upon American trade and commerce in a way that perhaps no other

equal amount of study could do. It is not only in the direct working of the tariff law but in its indirect effects, perhaps more in the latter than in the former, that the relation of protective duties to manufacturing and business is seen.[1]

I

A clear idea of the tariff act of 1913 can be gained only from a comparative standpoint. It is necessary to recognize the position in which the country stood as a result of the last preceding measure of the kind. The Payne-Aldrich law of 1909 represented, as has already been stated, the culmination of the ultra-protective policy inaugurated during the Civil War, but accompanied by a promise of reduction at the close of the struggle—a promise later ignored while high duties were continued under the pressure of debt. Afterward, when the debt had been provided for, these same duties were maintained as a means of sustaining a political organization which relied upon the contributions of special interests for its financial support and for the means of debauching the electorate and thereby keeping itself in authority. There had been prior to 1909 a period of industrial unrest, one of whose forms was seen in the demand for tariff legislation upon a revised basis and with a moderate measure of honesty and sincerity as its guiding principle. Bourbon politicians in Washington, unable

[1] *Chronology of the Tariff Bill:*
April 7.—Introduced in House and Referred to Ways and Means Committee.
April 7 to 21.—Discussed in House Democratic Caucus.
April 21.—Reintroduced in House.
May 8.—Passed by House.
May 16.—Referred to Finance Committee in Senate.
June 20.—Reported to Democratic Caucus by Finance Committee.
June 21 to July 7.—Discussed in Senate Democratic Caucus.
July 11.—Approved by Finance Committee and Reported to Senate.
September 6.—Reported to Senate from Committee of the Whole.
September 9.—Passed by Senate.
September 10 to 27.—Discussed in Conference Committee of the Two Houses.
September 29.—Reported to House from Conference Committee.
October 2.—Senate Adopted Report of Conference Committee, Receded from Clarke Amendment and Rejected Underwood Amendment.
October 3.—House Adopted Conference Report.
October 3.—President Wilson Signed the Bill 9:00 P.M.

to perceive symptoms of public uneasiness through the hazy atmosphere by which they were surrounded, regarded this agitation as the work of scheming newspaper writers and intriguing politicians of the younger generation who wished to take their places and who were only anxious to find an issue upon which to defeat them. Reasoning in this way, and deprived of perspective through long association with the tariff as a means of political spoliation, they gained the notion that an imitation of tariff revision would serve the purpose of satisfying the public. Such an imitation was put forward in the first draft of the Payne law. Before the Payne law, however, had received the sanction of the Senate it had been gradually developed into a distortion and exaggeration of the already existing system of protection, in which every vicious element was retained while every beneficial section was modified into conformity with the objectionable elements in the existing law, or was wholly eliminated. The level of rates established by the Payne-Aldrich law was, figured upon any rational basis, higher than that established by its predecessor. Surreptitious protection, amounting to prohibition in many cases, was, moreover, brought about by the introduction of cunning jokers devised for the purpose of giving exclusive profits to small groups of men or even to individuals. It was not strange, therefore, that, in spite of a general absolution issued to the framers of the act of 1909 by President Taft (who, shortly after he had himself affixed his signature, described it as the best measure ever adopted), the public at large persisted in regarding it as an enactment tending to aggravate the evils already complained of and to alleviate none of the bad consequences or maladjustments resulting from excessive rates. The first distinct symptoms of public dissatisfaction were made evident in the congressional elections of 1910 at which a Democratic majority in the House of Representatives was established. It has been customary to assert, within the past few months, that the presidential election of 1912 in no way turned upon the tariff. That such is not the case may be gathered from the fact that the tariff was practically the only issue of national significance urgently before the country at the congressional elections already referred to, while during the two years 1911–12 the

principal work of the House of Representatives had consisted of attempts to secure tariff revision, and the principal staple of discussion had been the iniquities of the Payne-Aldrich tariff law. No dispassionate observer can question that the tariff issue was the main problem presented to the electorate, not only in the congressional elections immediately succeeding the passage of the law of 1909, but in the subsequent presidential election which followed two years later. Essentially, therefore, the tariff act of 1913 is to be contrasted with that of 1909, not merely from the technical standpoint of revenues and rates of duty, but from that of its capacity and success in meeting the actual tariff philosophy of the average voter of the country. How has the tariff of 1913 fulfilled the demands of the public for a more moderate burden of taxation upon the average man? How far has it succeeded in redistributing the load of protection in a more equitable manner? Will it prove effectual in cutting off the special privileges and exceptional protection which had been extended to the "little brothers of the tariff" who, through campaign contributions, personal influence, and even, it would seem, by sheer bribery and corruption, had succeeded in inserting sections and phrases intended to divert a part of the stream of public and social wealth into their own coffers? In answering these questions, it is well to take note, first of all, of the general character and scope of the work done. A descriptive review of the two measures from a comparative standpoint will accomplish this purpose.

II

It should be observed first of all that in certain particulars—and these important ones—the act of 1913 makes but little change in the provisions of its predecessor. The tobacco and liquor schedules which had been given a material advance in 1909 remain, to all intents and purposes, untouched. The customs administrative act, while slightly modified as compared with that in force under the measure of 1909, remains in its essential outlines the same. The silk schedule, although altered in its method of presentation, continues upon about as a high basis as before, and will afford as large a measure of protection as in the past, with no considerable change

TABLE I

COMPARATIVE STATEMENT OF IMPORTS, REVENUES, AND AVERAGE AD VALOREM RATES BY SCHEDULE UNDER THE LAW OF 1909 AND (ESTIMATED) UNDER THE NEW MEASURE AS PASSED BY THE HOUSE AND AS AMENDED BY THE SENATE FOR A FULL YEAR AFTER ALL ITS PROVISIONS HAVE BEEN IN FULL OPERATION

	Imports under Law of 1909 (1912)	Estimated Imports		Free Listed by—	
		Under House Bill	Under Senate Bill	House	House and Senate
Schedule A (Chemicals, etc.)					
Imports	$ 63,877,494	$ 65,925,786	$ 66,343,320	$ 3,425,637	$ 7,808,188
Duties	12,389,654	12,987,887	12,486,011		
Average rate of duty (per cent)	19.39	19.70	18.82		
Schedule B (Earths and Earthenware, etc.)					
Imports	$ 22,489,321	$ 28,334,985	$ 27,879,984	$ 108,081	$ 1,198,482
Duties	11,273,032	9,209,632	9,000,757		
Average rate of duty (per cent)	50.12	32.50	32.28		
Schedule C (Metals, etc.)					
Imports	$ 50,649,306	$ 76,597,232	$ 76,651,232	$ 6,567,032	$ 12,420,727
Duties	17,731,323	16,252,475	14,092,370		
Average rate of duty (per cent)	35.01	21.22	18.38		
Schedule D (Wood, etc.)					
Imports	$ 24,253,765	$ 25,029,173	$ 25,029,173	$ 18,888,159	$ 18,888,159
Duties	3,041,800	898,425	898,495		
Average rate of duty (per cent)	12.54	3.59	3.59		
Schedule E (Sugar, etc.)					
Imports	$105,743,850	$111,865,725	$111,865,725	.....	.....
Duties	50,951,199	40,196,405	40,196,405		
Average rate of duty (per cent)	48.20	35.93	35.93		
Schedule F (Tobacco)					
Imports	$ 31,116,027	$ 30,595,300	$ 30,595,300	.....	.....
Duties	25,571,509	26,001,650*	26,001,650*		
Average rate of duty (per cent)	82.18	84.99	84.99		
Schedule G (Agricultural Products, etc.)					
Imports	$138,082,162	$142,623,081	$143,766,847	$ 19,621,862	$ 25,371,424
Duties	34,027,924	21,442,830	21,863,368		
Average rate of duty (per cent)	24.64	15.03	15.21		
Schedule H (Spirits, Wines, etc.)					
Imports	$ 20,421,978	$ 21,911,066	$ 21,911,066	.....	.....
Duties	17,334,945	18,937,140	18,937,140		
Average rate of duty (per cent)	84.88	86.43	86.43		
Schedule I (Cotton Manufactures)					
Imports	$ 24,688,535	$ 34,026,500	$ 34,251,500	.....	.....
Duties	11,257,235	10,368,983	10,069,075		
Average rate of duty (per cent)	45.60	30.47	29.40		
Schedule J (Flax, Hemp, etc.)					
Imports	$ 62,964,947	$ 61,699,031	$ 62,457,271	$ 370,741	$ 26,939,782
Duties	20,815,320	16,176,747	9,789,646		
Average rate of duty (per cent)	33.06	26.22	15.67		

* The rates in this schedule remaining the same as under the House bill, and in the law of 1909, the increase in the estimated duties as also the average ad valorem rate is due solely to variations in the value of importations.

TABLE I—*Continued*

	Imports under Law of 1909 (1912)	Estimated Imports		Free Listed by—	
		Under House Bill	Under Senate Bill	House	House and Senate
Schedule K (Wool, etc.)					
Imports	$ 48,361,374	$ 96,120,000	$ 96,120,000	$ 33,309,415	$ 33,309,415
Duties	27,072,116	12,774,000	12,548,000		
Average rate of duty (per cent)	55.98	13.29	13.05		
Schedule L (Silk, etc.)					
Imports	$ 24,023,205	$ 28,060,600	$ 28,049,310	.....	.....
Duties	12,166,266	12,252,085	12,300,465		
Average rate of duty (per cent)	50.65	43.66	44.06		
Schedule M (Pulp, Paper, etc.)					
Imports	$ 22,834,184	$ 24,960,141	$ 24,736,141	$ 11,426,841	$ 11,426,841
Duties	4,886,670	3,061,230	3,145,955		
Average rate of duty (per cent)	21.40	12.26	12.72		
Schedule N (Sundries)					
Imports	$187,572,596	$177,537,806	$179,254,806	$ 9,282,559	$ 10,000,220
Duties	56,578,887	56,988,279	56,391,386		
Average rate of duty (per cent)	30.11	32.04	31.46		
Total imports	$827,078,744	$925,286,426	$928,911,675	$ 103,000,327	$ 147,367,238
Total duties	304,899,360	257,583,768	247,780,723		
Average rate of duty (per cent)	36.86	27.84	26.67		

in the distribution of the duties among the several items. At many other points in the new act, the rates of duty are as high as heretofore, and at still others they are continued at a point high enough to be either prohibitive or sufficiently protective to satisfy the most exacting advocate of tariff legislation.

In certain fundamental schedules, however, the new act constitutes a striking innovation, not merely upon the act of 1909, but upon all of its predecessors since the Civil War. For the first time the cotton, hemp and flax, and woolen schedules are reduced to a competitive footing, and for the first time in more than twenty years sugar returns to a free basis. For the first time, too, Congress has had the courage to remove some of the pseudo-protection granted to the American farmer and to discontinue the dishonest pretense of offsetting the high rates which the farmer has had to pay in enhanced prices for clothing and implements by an alleged protection of his commodities against foreign interference. In the following table is given a comparative view of the general rates of duty imposed by the schedules of the acts of 1909 and 1913 respectively, the comparisons being, as is invariably the case with

TABLE II

SCHEDULE A

Old Classification	Tariff of 1909	Tariff of 1913
Acids—		
Boracic	3 cents per pound	¾ cent per pound
Gallic	8 cents per pound	6 cents per pound
Lactic	3 cents per pound	1½ cents per pound
Oxalic	2 cents per pound	1½ cents per pound
Ammonia—Sulphate of	Free	10 per cent
Coal tar colors or dyes	30 per cent	30 per cent
Collodion, and all compounds of pyroxylin	45 cents per pound	15 per cent
Ethers—		
Sulphuric	8 cents per pound	4 cents per pound
Nitrous, spirits of	20 cents per pound	20 per cent
Glue—		
Valued not above 10 cents per pound	2½ cents per pound	1 cent per pound
Valued above 10 cents and not above 21 cents per pound	25 per cent	15 per cent
Ultramarine, dry, in pulp, or mixed with water	3 cents per pound	15 per cent
Lead: Acetate of—		
White	3 cents per pound	1½ cents per pound
Brown, gray, or yellow	2 cents per pound	1 cent per pound
Potash—		
Bichromate and chromate of	2½ cents per pound	1 cent per pound
Nitrate of, or saltpeter, refined	½ cent per pound	$7.00 per ton
Alcoholic perfumery	60 cents per pound and 50 per cent	40 cents per pound and 60 per cent
Soap—Fancy, perfumed, and all descriptions of toilet, including medicinal or medicated	50 per cent	5 to 40 per cent
Soda—Bichromate and chromate of	1¼ cents per pound	¾ cent per pound

SCHEDULE B

Lime	5 cents per 100 pounds	5 per cent
Plaster rock or gypsum—Crude	30 cents per ton	10 per cent
Pumice stone—Unmanufactured	¼ cent per pound	5 per cent
Asphaltum and bitumen—Crude, not dried or advanced	$1.50 per ton	50 cents per ton
Mica—Unmanufactured, or rough-trimmed only	5 cents per pound and 20 per cent	15 per cent and 30 per cent
Cylinder, crown, and common window glass, unpolished—		
Not exceeding 10 by 15 inches	1½ cents per pound	
Above 10 by 15 inches and not exceeding 16 by 24 inches	1¾ cents per pound	1 cent per pound
Above 16 by 24 inches and not exceeding 24 by 30 inches	2½ cents per pound	1½ cents per pound

SCHEDULE C

Iron ore, including manganiferous iron ore, and the dross or residuum from burnt pyrites	15 cents per ton	Free
Ferro-manganese	$2.50 per ton	Free
Spiegeleisen	$2.50 per ton	Free
Scrap iron and steel, waste or refuse—Iron, wrought and cast	$1.00 per ton	10 per cent
Beams, girders, joists, angles, channels, and building forms and all other structural shapes of iron or steel	3/10 cent per pound	10 per cent
Anchors, or parts of	1 cent per pound	12 per cent
Bars or rails for railways—Steel	$3.92 per ton	Free
Tin plates—		
Lighter than 63 pounds per 100 square feet	1 2/10 cents per pound	15 per cent
All other	1 2/10 cents per pound	15 per cent
Steel ingots, cogged ingots, blooms and slabs; die blocks or blanks; billets and bars and tapered or beveled bars	3/10 cent–4 6/10 cents per pound	Free
Round iron or steel wire: Value 4 cents or less per pound—		
Smaller than No. 13 and not smaller than No. 16 wire gauge	1½ cents per pound	15 per cent
Smaller than No. 16 wire gauge	1¾ cents per pound	15 per cent

TABLE II—*Continued*

Old Classification	Tariff of 1909	Tariff of 1913
Anvils	1½ cents per pound	
Axles—Valued at not more than 6 cents per pound	¾ cent per pound	10 per cent
Cast-iron pipe of every description	¼ cent per pound	10 per cent
Boiler tubes	1 cent per pound up	20 per cent
Cutlery—		
Razors, finished, valued at less than $1 per dozen	35 per cent	35 per cent
Knives, forks, or steels, imported without handles	45 per cent	25 per cent
Files, file blanks, rasps—		
2½ inches in length and under	25 cents per dozen	25 per cent
Over 4½ and under 7 inches in length	62½ cents per dozen	25 per cent
Nails, spikes, and tacks—of iron or steel	4/10 cent per pound	Free
Saws—Hand, back, and other saws	25 per cent	12 per cent
Aluminum—In crude form (aluminum scrap), and alloys	7 cents per pound	25 per cent
Base bullion	2½ cents per pound	25 per cent
Pigs and bars (drosa)		
Ferrosilicon	$5.00 per ton	15 per cent
Watch movements—		
Having not more than 7 jewels	70 cents each	30 per cent
Having more than 11 and not more than 15 jewels	$1.85 each	30 per cent
Calamine (zinc ore)	$22.40 per ton	10 per cent
Zinc—In blocks or pigs	1½ cents per pound	15 per cent
Cash registers, linotype and all typesetting machines, machine tools, printing presses, sewing machines, typewriters, and all steam engines	30 per cent	Free—15 per cent
SCHEDULE D		
Lumber: Boards, planks, deals, and other sawed lumber, all kinds	50 cents to $1.95 per thousand feet	Free
Paving posts, railroad ties, and telephone poles	10 per cent	10 per cent
Osier or willow—Prepared for basket makers' use	25 per cent	10 per cent
SCHEDULE E		
Sugar, Dutch standard in color:		
Not above No. 16, tank bottoms, sirups of cane juice, melada, concentrated melada, concrete and concentrated molasses, testing by the polariscope—		
Above No. 16, and all sugar that has gone through a process of refining	1.90 cents per pound	.71 of 1 cent per pound if not over 75 degrees, plus .0026 cent per pound additional for every additional degree. Ultimately free.
Saccharine	65 cents per pound	65 cents per pound
SCHEDULE G		
Live animals—All other, n.s.p.f.	20 per cent	10 per cent
Breadstuffs and farinaceous substances—		
Barley	30 cents per bushel	15 cents per bushel
Oats	15 cents per bushel	6 cents per bushel
Wheat	25 cents per bushel	Free
Potatoes		
Fruits—		
Figs	2½ cents per pound	2 cents per pound
Grapes in barrels or other packages	25 cents per cubic foot	25 cents per cubic foot
Lemons	1½ cents per pound	½ cent per pound
Meat products—		
Bacon and hams	4 cents per pound	Free
Beef, mutton, pork, lard	1½ cents per pound	Free
Cocoa, powdered, unsweetened	5 cents per pound	8 per cent
Salt, in bulk	7 cents per 100 pounds	Free
Starch	1 cent per pound	½ cent per pound
Dextrine	1½ cents per pound	½ cent per pound
Sage	1 cent per pound	½ cent per pound

TABLE II—*Continued*

SCHEDULE I

Old Classification	Tariff of 1909	Tariff of 1913
Cotton thread and carded yarn:		
Not colored, bleached, dyed, or advanced—		
Numbers up to and including No. 15	2½ cents per pound	
No. 35	7 cents per pound	
No. 40	8 cents per pound	
No. 140	28 cents per pound	
Colored, bleached, dyed, combed, or advanced beyond the condition of singles by grouping or twisting two or more single yarns together—		Nos. 1–9 inclusive, 5 per cent Nos. 10–19 inclusive, 7½ per cent
Numbers up to and including No. 20	6 cents per pound	Nos. 20–39 inclusive, 10 per cent
No. 24	6 cents per pound	Nos. 40–49 inclusive, 15 per cent
No. 30	7½ cents per pound	Nos. 50–59 inclusive, 17½ per cent
No. 36	8½ cents per pound	Nos. 60–99 inclusive, 20 per cent
No. 40	9½ cents per pound	Nos. 100 and over, 25 per cent
Plain cloth:		
Not exceeding 100 threads to the square inch, counting the warp and filling—		
Dyed, colored, stained, painted, or printed—		
Valued at over 12 cents per square yard	8 cents per square yard	
Bleached—Valued at over 11 cents per square yard	6½ cents per square yard	
Dyed, colored, stained, painted, or printed—		
Valued at over 12½ cents per square yard	7 cents per square yard	
Not bleached, dyed, colored, stained, painted, or printed—Valued at over 10 cents per square yard	5½ cents per square yard	
Cotton cloth in which other than the ordinary warp and filling threads have been introduced in the process of weaving to form a figure:		
Bleached—		
Exceeding 50 and not exceeding 100 threads to the square inch, counting the warp and filling—		Cloth of Yarns—
Not bleached, dyed, colored, stained, painted, or printed—		Not over No. 9, 7½ per cent
Not exceeding 6 square yards to the pound—		Nos. 9–19, 10 per cent
Valued at more than 7 cents per square yard	2½ cents+2 cents per square yard	Nos. 19–39, 12½ per cent Nos. 39–49, 17½ per cent
Valued at not more than 7 cents per square yard	1½ cents+1 cent per square yard	Nos. 49–59, 20 per cent Nos. 59–70, 22½ per cent Nos. 79–99, 25 per cent
Bleached—		Exceeding No. 99.27½ per cent
Dyed, colored, stained, painted, or printed—		(2½ per cent added when cloth bleached, dyed, etc.)
Not exceeding 6 square yards to the pound—		
Valued at more than 7 cents per square yard	3½ cents + 2 cents per square yard	
Not exceeding 100 threads to the square inch, counting the warp and filling—		
Not bleached, dyed, colored, stained, painted, or printed—Valued at over 7 cents per square yard	5½ cents + 2 cents per square yard	
Sleeve linings	30 per cent	30 per cent
Handkerchiefs	45 per cent up	30 per cent
Clothing	50 per cent	30 per cent
Plushes, velvets, etc	47½ per cent up	40 per cent
Curtains, etc	50 per cent	35 per cent
Hose and half-hose	70 cents per dozen+15 per cent up	30–50 per cent
Underwear	60 cents per dozen+15 per cent up	30 per cent

SCHEDULE J

Flax	1 cent per pound	Free
Hemp	$22.50 per ton	Free
Cables and cordage	2 cents per pound	½ cent per pound up
Floor mattings	3½ cents per square yard	2½ cents per square yard
Carpets	4 cents per square yard+30 per cent up	30 per cent
Hose	5 cents per pound	7 cents per pound

TABLE II—*Concluded*

Old Classification	Tariff of 1909	Tariff of 1913
Linoleum	8 cents per square yard + 15 per cent up	20 to 35 per cent
Embroideries, etc.	70 per cent	60 per cent
Bagging	6–10 cents per square yard	Free
Handkerchiefs	55 per cent	35 and 40 per cent
Schedule K		
Wool	11, 12 and 7 cents	Free
Tops	2½ times wool rate + 30 per cent up	8 per cent
Yarns	2½ times wool rate + 35 per cent up	18 per cent
Blankets	2 times wool rate + 30 per cent up	25 and 30 per cent
Dress goods	7 cents per square yard up	35 per cent
Clothing	4 times wool rate + 60 per cent	35 per cent
Webbings, etc.	50 cents per pound + 60 per cent	35 per cent
Brussels carpets		
Schedule L		
Spun silk	35 cents per pound up	35 per cent
Velvets and pile fabrics	$1.50 per pound up	50 per cent
Handkerchiefs	50 per cent up	40 and 50 per cent
Ribbons, etc.	50 per cent	45 per cent
Chiffons, knit goods, etc.	60 per cent	30 per cent
Schedule M		
Wood pulp	1–12 cents per pound	Free
Print paper, under 2½ cents	3–16 cents per pound	Free
Print paper, over 2½ cents	½ cent per pound	12 per cent
Copying paper	5 cents per pound + 15 per cent up	30 per cent
Schedule N		
Brushes, brooms, etc.	40 per cent	15 per cent up
Coal	45 cents per ton	Free
Gunpowder	2–4 cents per pound	Free
Matches	6 cents per gross	25 per cent
Pearls	20 per cent	20 per cent
Gloves	$1.25 per dozen up	$1 per dozen up
Paintings	15 per cent	15 per cent
Pencils	45 cents per gross + 25 per cent up	25 per cent
Umbrellas	50 per cent	35 per cent

such figures, somewhat misleading in view of the difficulty of obtaining any average that has a genuine significance when it covers a great variety of non-related commodities. The figures, however, have their significance in that they afford a comparative basis of

judgment founded upon the same criteria that are ordinarily employed in forming an estimate of the relative burden of different tariffs.

An accurate idea of the true nature of the changes really made by the new tariff cannot, however, be obtained through a study of general averages, but can be reached only through comparisons of the amount and form of the duties levied upon representative commodities chosen with a view to showing the actual operation of the schedules. Such a comparison of selected articles has been made in Table II.[1]

III

A true understanding of the effect of the act of 1913 can, as already said, be secured only by detailed study of its leading provisions; and a beginning may be made with what was perhaps the most sharply criticized and most unsatisfactory of the provisions of the Payne-Aldrich law—the wool and woolen schedule. The Payne-Aldrich law, indeed, had altered in three very minor and wholly unessential particulars only the wool and woolen schedule of the Dingley act of 1897. Like the latter, the Payne-Aldrich act based its tariff treatment of wool upon a classification of the raw product in three groups, the duty running to 12 cents per pound on class-1 wool, unwashed. Starting from this fundamental impost upon the raw material, the Dingley and Payne-Aldrich acts proceeded to the imposition of tariff rates upon every later product into which the raw wool might be developed, passing through the intermediate stages of tops, yarns, knit goods, cloths, carpets, and the like. Two radical and fundamental objections have always been made to this schedule: (1) it fixed the rates of duty upon the derivative products of wool too high under the existing conditions of manufacture, in any event; and (2) it added indefensible and unjust "compensatory duties" resulting in a combined specific and ad

[1] Many items have been omitted where the facts could not be clearly stated. The classification given in the left-hand column is, moreover, based in general upon the language used in the old tariff (act of 1909). In not a few instances, this varies, in detail from the language used in the new act. It is necessarily out of the question to contrast the language of the two acts in a tabular presentation. Reference should in each case be had therefore to the appropriate paragraphs of the old and new acts. The list, however, accurately portrays the character of the new tariff.

valorem rate, the compensatory duty being nominally intended to make up to the manufacturer for the wool lost in the process of production upon which he had paid a tariff when imported in the unwashed state. These compensatory duties were far larger than was necessary to accomplish their object. It has long been the feeling of tariff reformers that no genuine improvement in the schedule could be attained without placing wool on a free basis.

The beginnings of the effort to revise the wool schedule are to be found in the first session of the 62d Congress when the Ways and Means Committee, then first organized under Democratic control, attempted to hit upon a plan for putting the schedule into a shape that would eliminate the principal basis of complaint. This committee embodied its proposals in a bill which related solely to wool and woolens.[1] There had been a good deal of cant about the necessity of revising the tariff "schedule by schedule," and the decision to adopt that mode of dealing with this problem was no doubt partly in deference to the general point of view which had thus been developed. The action was, however, partly a desire to test the sentiment of the community in regard to the tariff by putting forward a sample of the proposed revision in a form that could be appreciated by the public at large through its freedom from technical detail and complexity. The bill referred to, introduced by Chairman Underwood of the Ways and Means Committee, and hence called the Underwood bill, did not, however, go to the extreme that had been demanded by would-be reformers of the duty on wool and woolens. It retained a tariff of 20 per cent on raw wool, and, starting with that as a basis, it gradually raised the rates on woolen fabrics up to about 55 per cent as a maximum. In other words, it allowed a margin of 35 per cent protection between the duty on the crude wool and the highest grade of manufactured articles. This bill was reported by the Ways and Means Committee, was subjected to the verdict of the Democratic caucus in the House of Representatives, was there approved, and was adopted on June 20, 1911. It then went to the Senate where the rate on raw material was raised to 35 per cent, while rates on manufactured goods were similarly increased, although

[1] H. R. 3820, 62d Cong., 1st Sess., *Cong. Record*, p. 2357.

the advance effected was relatively not so great in the finished products as in the raw material. In final conference, the 35 per cent rate was cut to 29 per cent and similar reductions were made in the fabric duties. In this form the measure went to President Taft and was by him vetoed. Stripped of its extreme argument, the veto message amounted simply to a statement that the proposed bill attempted far too great a cut in rates throughout the schedule, and that inasmuch as an organization called the "Tariff Board," previously named by the President, was investigating the wool and woolens schedule, it would be undesirable to act in advance of the findings of this board.

Returning to Washington after the summer intermission, the members of the Ways and Means Committee found themselves confronted on January 1, 1912, with a lengthy report on wool and woolens which in the meantime had been prepared under the auspices of the Tariff Board referred to by President Taft. Without attempting at this point to consider the Tariff Board's findings in detail, it may briefly be stated that the Ways and Means Committee, after examination of the findings and report, reached the conclusion that no argument had been adduced to indicate the desirability of rates higher than those which it had itself reported at the preceding session, and it therefore promptly reported back to the House of Representatives a bill identical in terms with that which had been introduced during the preceding session. This bill was passed by the House of Representatives and later by the Senate, being ultimately vetoed on August 9, 1912. There was a general feeling that in view of the approaching presidential struggle the tariff question would be settled at the polls, so that nothing more would be needed in the meanwhile, for it was well recognized that there was no possibility of making the bill law until the Democratic party had gained control of the presidency. The discussion in the House was however significant, in a degree far above that which had occurred during the preceding session, inasmuch as the Republicans of the Ways and Means Committee presented a bill of their own as a substitute for the proposed Underwood measure. This bill will be referred to later in connection with an analysis of the new rates on wool and woolens actually

made law by the act of 1913. It suffices here to note that the measure was based upon a rate of duty of about 18 cents per pound on unwashed wool. Estimates were made that this was equivalent to a possible reduction of about 10 per cent in the amount of the old raw wool duty. Assuming that the old raw wool duty figured as an equivalent ad valorem of 44 per cent, the Republican substitute would probably have been equivalent to about 39 or 40 per cent as against the 35 per cent which had been proposed by the Senate during the preceding session, the 29 per cent finally agreed on in conference, and the 20 per cent proposed by the House in both its measures. The fabric rates of the Republican substitute rose rapidly, and while they represented a distinct reduction of the fabulous and excessive protection accorded under the Payne-Aldrich law, they probably would not have affected in any genuine way the real amount of protection accorded to domestic manufacturers.

When the time came for the preparation of a wool schedule likely to stand a good chance of becoming law, as was the case immediately after the presidential election of 1912, a serious test was offered with reference to the good faith of the Democratic party. If that party had acted sincerely during the two preceding sessions, it meant exactly what it said in the reductions of duty it then proposed. If it was insincere and hypocritical, it did not mean what it then proposed, and the course to be followed by it now that it had the chance of enacting something into actual law might be altered. There were undoubtedly a few members of the party who desired to see such a change in the policy of the organization and who would gladly have lent themselves to a scheme for putting the rates upon a basis higher than that which had been contemplated by the original Underwood bill. Chairman Underwood himself, however, had no intention of assenting to any such proposal. He was obliged to yield to public opinion within the party to the extent of granting hearings before the Ways and Means Committee with reference to the woolen schedule as well as the other schedules of the tariff, but it was evident throughout that he and his supporters on the committee had already made up their minds on the main issues. The hearings did indeed

develop some new and interesting facts, but these related only to the existence of divisions of opinion among manufacturers of woolens, and not to the actual condition of the industry or to its requirements. The testimony showed that the manufacturers were very desirous in most instances of securing free raw materials, and that they had hesitated to urge removal of duties only because they feared that they might thereby break up the "unholy alliance" which had long existed between themselves and the shepherds, thus losing the support of the latter and sacrificing the votes of the senators from the sheep-growing states. When, however, it became evident that no amount of manipulation would probably suffice to "hold the party in line," so that a genuine revision of the wool and woolen schedule was assured, manufacturers hastened to seek the remission of duties which they had long desired. The result, nevertheless, would not have favored their claims, had the members of the committee been left entirely to themselves. It had been found, during the two sessions preceding, that a very strong sheep-growing interest existed in Texas, Ohio, and other regions now safely Democratic, and it was not desired to push the argument to extremes on that account. President Wilson, however, had long been of the opinion that the absolute remission of the duty on wool was fundamental to the real reformation of the wool and woolen schedule. Before the Ways and Means Committee had finally reached any conclusions, it was called into consultation with the Executive, and as a result the proposed rate of 20 per cent, or perhaps of 15, on raw wool was eliminated, and that article was placed upon the free list. This action was taken very shortly before the date set for the reporting of the tariff bill had arrived, and it was the prevailing view that, for many reasons, no postponement of that date would be wise. Consequently a hasty readjustment of the rates on fabrics and intermediate products had to be made, in order to make due allowance for the removal of the tariff on raw wool, since this tariff had been used as a basis in building up the duties of the paragraphs relating to manufactures. The result was to leave the schedule in a rather disjointed and unsatisfactory state. While wool was free, tops, yarns, etc., remained at somewhat disproportionately high levels.

As has already been seen the general rate of duty established by the completed schedule would work out at about 13 per cent, as against 56 per cent under the old law. This, however, includes both free and dutiable imports, the actual rates on dutiable goods being cut to no such extreme degree. Table III furnishes a brief digest which affords an outline of some chief items in the schedule, equivalent ad valorem rates being computed in each instance:

TABLE III

Item	Act of 1909		Act of 1913	
	Rate	Equivalent ad Valorem Per Cent	Rate	Equivalent ad Valorem Per Cent
Schedule K—Wool, and manufactures of:				
Raw wool	.....	43.61	Free.....	Free
Yarns	.....	79.44	18 per cent	18.00
Blankets	.....	72.69	30 per cent	30.00
Flannels for underwear	.....	93.29	30 per cent	30.00
Women's and children's dress goods	.....	99.70	35 per cent	35.00
Ready-made clothing and wearing apparel	.....	79.56	35 per cent	35.00
Webbings, suspenders, braces, etc	50 cents per pound +60 per cent...	82.07	35 per cent	35.00
Aubusson, Axminster, etc., carpets	60 cents per square yard+40 per cent	64.62	35 per cent	35.00
Saxony, Wilton, etc., velvet carpets	60 cents per square yard+40 per cent	69.38	35 per cent	35.00
Brussels carpets	44 cents per square yard+40 per cent	69.45	25 per cent	25.00
Tapestry velvet carpets	40 cents per square yard+40 per cent	62.05	30 per cent	30.00
Tapestry Brussels carpets	28 cents per square yard+40 per cent	88.53	20 per cent	20.00
Treble ingrain carpets	22 cents per square yard+40 per cent	60.94	20 per cent	20.00
Druggets	22 cents per square yard+40 per cent	68.17	20 per cent	20.00

IV

In dealing with the cotton schedule a different problem was presented, both politically and economically. Politically there had been comparatively little trouble with the woolen schedule. True, as we have seen, the raw wool issue had caused some moments of anxiety to Democrats who were brooding over the question of future elections in Ohio and Texas, but gloomy thoughts of loss of votes at congressional elections or in presidential primaries had finally been banished from the minds of the leaders, while the absence of woolen factories in the states where Democratic majorities were largest had relieved the tariff patriots of the suffering and discomfort to which their Republican confrères from the North

had been subjected four years earlier. The cotton problem was quite different, however, there being a large and powerful industrial interest connected with cotton manufacturing in the southern states.

The cotton schedule was courageously taken in hand immediately after the woolen schedule had been disposed of in the 62d Congress. A bill making some substantial reductions in cotton rates was reported by the Ways and Means Committee in June, 1911, after a sharp passage at arms with the allied cotton manufacturers of the North and South, the duty of struggling with the southern legislators in charge of the tariff having been shrewdly committed to the representatives of southern mills who formed a "tariff committee" for that purpose. As yet, it was believed that the tariff reform idea was merely germinating and the manufacturers, although good Democrats in local and state politics, believed that they could carry their point by threatening the terrible results that might happen in national elections. They did not scruple to apply this spur to the Ways and Means Committee, but with very little result. True the cotton tariff as amended did not attempt anything like the reductions that had been included in the new woolen schedule, but on the other hand the rates on cotton in the old act had never been anything that could compare with those of the woolen schedule. Whereas the rates of the latter were cut from fabulous levels averaging in practice something like 75 per cent, to an average of possibly not more than 45 per cent under the new bill, the rates of the cotton schedule were cut from an average of about 47 per cent to about 28 per cent. It was asserted on the floor of Congress that in this cut an effort had been made to protect the southern mills by keeping rates of duty high upon their product, while reducing them upon the finer goods turned out by New England establishments. A comparison of the schedules does not sustain this view, although it is true that the coarse cottons of the southern mills were successfully manufactured in competition with foreign goods and needed no protection, so that any duty on them was a far greater safeguard to the manufacturer than a much higher rate on the finer products would have been to his New England associates. It was charged,

also, that the rates of the tariff were so shaped in the process of shifting from a partly specific to a completely ad valorem basis as to enhance, relatively speaking, the rates of duty on the coarse goods aforesaid; but this, too, so far as it occurred, was manifestly not intended as a sectional discrimination. The cotton tariff was reasonably fair, although by no means so courageous a reduction of protection as was the new woolen schedule.

The cotton schedule, as it passed the House, was not open to much criticism in the session of 1910–11. But when it reached the Senate, it was put into an objectionable condition by the addition of a so-called revision of the chemical schedule, the pretense being that this revision of the rates on chemicals was necessary in order to give the cotton producer a cut in his raw materials that would relieve him of costs in the same degree that he had been deprived of earnings. The bill as thus amended and passed was wholly indefensible, owing to the careless work done in hastily redrafting the chemical sections, so that as it reached the President it was a botched-up piece of legislative patchwork, rarely equaled in the history of tariff-juggling. President Taft was amply warranted in vetoing the bill, and this he promptly did.

With the reassembling of Congress in December, 1911, it was determined to defer the cotton schedule until after other features of the tariff had been disposed of, particularly as President Taft had assigned as a special reason for his veto the fact that the Tariff Board was at the time engaged upon a study of the cotton situation. The renewal of any attempt to revise the cotton schedule was therefore deferred until the spring of 1912, when the cotton report of the Tariff Board finally made its appearance. This report proved to be a considerable surprise to most readers. In view of the fact that the wool and woolens report had been hidebound and reactionary, carefully avoiding any but incidental reference to the tariff and laying the foundation for the maintenance of excessive rates, it had been expected that the cotton report would parallel it. The contents of the latter document did not fulfil these predictions, inasmuch as it sustained the idea of much greater reductions in the schedule than those which had been planned by the Underwood bill the season previous. Consistency,

however, as well as the fact that much of the Tariff Board's work was evidently untrustworthy, even had the fundamental fallacy of comparative cost of production been accepted, forbade the utilization by the House committee of any of the material thus submitted by the Board. The original Underwood cotton tariff bill was consequently reported to the House of Representatives, and was again passed in exactly the same form in which it had originally been introduced. Action in the Senate later proved to be of little use, inasmuch as it was well known that President Taft would veto the bill. Like the wool bill, however, this bill afforded the basis for the subsequent action of the House of Representatives in dealing with the cotton schedule in the new tariff, when the time came to report the latter.

Yet there was a significant aspect of the second passage of the cotton tariff bill in the 62d Congress. As has been noted, Republicans had offered a wool revision measure as a substitute for the plan put forward by the Democratic Ways and Means Committee in connection with that schedule. This substitute, as already seen, had established very high rates and the assertion had been made that they represented the proper inference to be drawn from the report of the Tariff Board on the woolen schedule. When the report of the Tariff Board on cottons was issued, it was seen at once that consistency required the introduction of a tariff bill modifying the cotton schedule, which should be "in accordance with" the findings of the Board. The findings of the Board were not clear nor consistent, with reference to either the wool or cotton schedules, but they were more intelligible in connection with the latter than with the former, the chief difficulty being that the investigations of the Board had extended to only a few of the items in the schedule. On these, as already noted, the apparent inference to be drawn was in favor of very low rates of duties. Consequently, the duty of the Republicans seemed to be that of presenting a bill making lower rates even than those of the Underwood measure, but this they were exceedingly loath to do. Representative Hill of Connecticut finally obtained from his colleagues a partial permission to draft a revision measure, but even that was subsequently withdrawn, and he was obliged to proceed without

the cordial co-operation of his colleagues of the old-line group of Republican Bourbons in the lower chamber. With the approval of some of the radicals of the party, however, Mr. Hill proceeded to shape a bill of the kind referred to—an effort in which he received the assistance of representatives of the Tariff Board. The outcome was a bill, establishing in many instances very low rates of duties, which was pronounced by his colleagues to be unavailable

TABLE IV

Item	Act of 1909		Act of 1913	
	Rate	Equivalent ad Valorem Per Cent	Rate	Equivalent ad Valorem Per Cent
Schedule I—Cotton manufactures—				
Waterproof cloth composed of cotton or other vegetable fiber, whether composed in part of India rubber or otherwise	10 cents per square yard + 20 per cent	50.56	25 per cent	25.00
Nottingham lace window curtains, nets, nettings, etc		52.04	35, 40 and 45 per cent	35, 40 and 45
Clothing, ready-made	50 per cent	50.00	30 per cent	30.00
Shirt collars and cuffs	45 cents per dozen + 15 per cent	64.03	30 per cent	30.00
Plushes, velvets, etc		51.15	40 per cent	40.00
Handkerchiefs		59.27	30 per cent	30.00
Stockings, hose and half-hose		75.38	20 to 50 per cent	20 to 50
Men's and boys' knitted gloves	50 cents per dozen + 40 per cent	89.17	35 per cent	35.00
Underwear of every description		60.28	30 per cent	30.00
Cotton table damask	40 per cent	40.00	25 per cent	25.00
All other manufactures of cotton	45 per cent	45.00	30 per cent	30.00
Schedule J—Flax, hemp, and jute, and manufactures of:				
Flax, not hackled or dressed	$22.40 per ton	7.21	Free	Free
Hemp, not hackled or dressed	$22.50 per ton	10.45	Free	Free
Single jute yarns not finer than 5 lea or number	1 cent per pound + 10 per cent	26.90	15 per cent	15.00
Cables or cordage of hemp, tarred or untarred	2 cents per pound	17.83	1 cent per pound	9.23
Hose, hydraulic or flume	15 cents per pound	15.37	7 cent per pound	9.23
Oilcloths for floors		44.29	20 per cent	20.00
Handkerchiefs composed of flax, hemp, etc.	50 per cent	50.00	35 per cent	35.00
All woven fabrics, n.s.p.f	45 per cent	45.00	35 per cent	35.00

as a party measure, while experts in the cotton trade regarded it, commercially speaking, as absurd or impossible. The bill did not even receive the support of many Republicans on the floor, and was practically a fiasco, serving only to establish the insincerity of the Republicans with reference to the operations of the Tariff Board itself. In another way the bill doubtless had an effect of some importance, since it tended to set the pace for the Democrats

in the final tariff revision which was carried through during the spring and summer of 1913. Otherwise, the work of the 62d Congress on the cotton schedule was purely introductory and preliminary, as had been the case in regard to the revision of the rates of duty on wool and woolens.

While, as already seen, the final average cut on cottons was from 45.60 per cent in the old tariff to about 30 per cent or less in the new, a fairer idea of the change is obtained from representative comparisons in Table IV.

V

Prior to the final enactment of a tariff measure, preliminary efforts to secure a revision of duties had been made also with respect to the important metal schedule, although this schedule was undertaken subsequently to the textile duties. Not until the opening of the second session of the 62d Congress in December, 1912, was the subject actively taken up by the Ways and Means Committee. Shortly before the beginning of Congress for this second session, some preparations had been made, and at the beginning of January, 1913, a bill greatly reducing the rates on metals was reported from the Ways and Means Committee to the House. This bill was ultimately passed by the House with comparatively little discussion, and without any serious effort on the part of Republicans to substitute a plan of their own. When the bill reached the Senate, it received serious attention, progressive Republicans announcing that they were in general sympathy with the ideas of the measure, although they desired modifications. Amendments, some of which would have actually reduced the rates still further, while others would have implied a moderate increase in certain of the House rates, were offered by Senator Cummins of Iowa and by others who either were not committed, or were opposed, to the ultra-high tariff program of the party managers. Practically none of these suggested changes were accepted, and the bill was finally adopted in the Senate in its nearly original form. Unfortunately, political tricksters, who feared that President Taft might make up his mind to accept the proposed bill on account of the generally admitted need of reductions in the iron and steel

schedule, had succeeded in forcing into the measure an amendment calling for a repeal of certain provisions in the reciprocity law of the preceding year. House Democrats were not willing to assent to this amendment and it consequently proved impossible to obtain an agreement between the two Houses with regard to this schedule. In fact, no very serious effort to secure such an agreement was made for the reason of political expediency already stated, so that the iron and steel revision, although having a somewhat different history from its predecessors relating to cotton and wool, ultimately met precisely the same fate which had befallen those two bills. It, like the others, simply served a purpose in outlining the position of the party responsible for it, and in committing that party to a program from which it could not subsequently retreat with credit, even had it been inclined to do so.

The work, however, had not been entirely wasted. When the Underwood bill was presented to the House in 1913, it was found that this schedule departed in but a few particulars from the measure which had been passed by the House and had been returned from the Senate about a year before. A few changes here and there resulted from a feeling that enough had not been done in lowering the rates in the project of 1912, or were inserted as a concession to critics. The total of these alterations was probably less than that of the changes in any of the other schedules upon which preliminary action had been forced. It was not until the bill went from the House to the Senate that a serious alteration in the scope of the metal schedule occurred.

In the last analysis, the iron and steel schedule, after being considerably debated between House and Senate, owing to the innovations and changes made in the upper chamber, was greatly reduced as compared with the level of rates existing at the time tariff revision was undertaken. Iron ore, of course, went to the free list, and the same treatment was given to pig iron and wrought and cast iron. The heavy products of the furnace, such as slabs, blooms, etc., were made free, while structural shapes were given only 10 per cent, boiler and other plate 12 per cent, and steel bars 8 per cent. Steel rails were placed unreservedly upon the free list. Some reductions were also made in the sections of the

steel schedule dealing with manufactured products such as cutlery and machinery of various classes, automobiles, and other articles involving a large application of human labor and the use of highly specialized means of production. Probably the least courageous portion of the steel schedule was seen in the sections referring to metals other than iron and steel, such as lead and zinc and their products. Considerable rates of duty were retained on these, lead being left at 25 per cent as against 2⅜ cents per pound under the Payne-Aldrich law, while block zinc was placed at 15 per cent against 1⅜ cents per pound. Aluminum was cut to 25 per cent as against 7 cents per pound under the Payne-Aldrich act. But with the exception of some few items in which special interests possessing great strength in Congress were successful in retaining protection, the revision of the iron and steel schedule was thorough, not to say drastic, the average duty retained being probably about 19 per cent as against 35 per cent in the act of 1909. The comparison in Table V will furnish a clearer idea of the changes.

TABLE V

Item	Act of 1909		Act of 1913	
	Rate	Equivalent ad Valorem Per Cent	Rate	Equivalent ad Valorem Per Cent
Schedule C—Metals and manufactures of:				
Pig iron		9.03	Free	Free
Slabs	4/10 cent per pound	17.79	Free	Free
Beams, girders, joists, valued above 9-10 cents per pound	4/10 cent per pound	33.18	10 per cent	10.00
Antifriction balls, ball bearings	45 per cent	45.00	35 per cent	35.00
Tin plates	1 2/10 cents per pound	36.74	15 per cent	15.00
Wire	40 per cent	37.64	15 per cent	15.00
Motor cycles	45 per cent	45.00	25 per cent	25.00
Razors and parts of		72.36	35 and 55 per cent	35.00 / 55.00
Copper in plates, sheets, etc	2½ cents per pound	10.82	5 per cent	5.00
Lead in sheets, pipes, etc	2½ cents per pound	40.70	25 per cent	25.00

VI

In the preliminary efforts at tariff revision, attention had also been paid to the chemical schedule. This schedule had been the subject of a fictitious and insincere attempt at modification, when during the Senate debate, amendments designed to change the rates on chemicals were attached to the cotton tariff bill. The

revision had been so hastily and unsatisfactorily carried through that it had given the President good ground for a sharp veto message. The House of Representatives was probably led to take up the chemical schedule as a result of the unsatisfactory character of the work which had been done in the Senate during the preceding session and the discredit which had consequently come to the party as a result thereof. At all events the chemical schedule was taken under consideration in December and January, 1912–13, and within a few weeks a chemical schedule revision bill was reported. The method of treatment in this bill differed in some important particulars from that adopted in the wool and cotton measures and in certain respects from that in the iron and steel schedules which had gone before. All of these other bills had been framed without reference to tariff board reports or "scientific" investigation. In framing the chemical schedule, a different situation was encountered. Owing to the technical difficulty of the subject, the structure of the chemical schedule had not been changed for about thirty years, practically nothing having been done with regard to its classifications since about 1882. Republican tariff revisionists had simply varied the rates from time to time or moved a few commodities back and forth from one paragraph to another, but they had never made any thorough study of the situation. The fiasco in the Senate connected with the alleged revision of the chemical schedule showed little more than a horizontal reduction in existing rates without changes in the descriptions of articles. This was totally unsuited to the needs of the situation. Few industries have made such progress, or have undergone such extensive and drastic mechanical changes in the past thirty years as has the chemical industry. The classifications of the tariff were wholly out of date, and many new chemical products, the results of scientific discovery and invention, were either not listed at all or were artificially classified under obsolete and almost meaningless captions. This situation was speedily perceived by the sub-committee of the Ways and Means Committee to which the subject was intrusted. At the same time it was learned that the Tariff Board had allowed an introductory investigation of the chemical schedule, largely devoted to classification and based upon scientific principles,

to be carried on in a neglected and inadequate way for some two years preceding. After some negotiation the Ways and Means Committee ultimately obtained the results of this tariff inquiry and adopted many of the changes in grouping and nomenclature which were suggested by it, although these did not receive the indorsement of the Tariff Board itself at any time.[1] The bill ultimately reported to the House of Representatives and passed by it on February 21, 1912, was however based upon the reclassification which had thus been developed. Nevertheless it received no favorable consideration in the Senate and was finally dropped by

TABLE VI

Item	Act of 1909		Act of 1913	
	Rate	Equivalent ad Valorem Per Cent	Rate	Equivalent ad Valorem Per Cent
Schedule A—Chemicals, oils, and paints:				
Boracic acid	3 cents per pound	78.70	¼ cent per pound	21.43
Medical preparations not containing alcohol, in n.s.p.f.	25 per cent	25.00	15 per cent	15.00
Alum	¼ cent per pound	40.52	15 per cent	15.00
Cream of tartar	5 cents per pound	25.45	2½ cents per pound	17.86
Blacking	25 per cent	25.00	15 per cent	15.00
Drugs	½ cent per pound +10 per cent	12.54	10 per cent	10.00
Glue, valued between 10 and 25 cents per pound	25 per cent	25.00	15 per cent	15.00
Olive oil	50 cents per gallon	35.18	30 cents per gallon	21.05
Red lead	2¼ cents per pound	60.35	25 per cent	25.00
Borax, refined	2 cents per pound	21.22	¼ cent per pound	1.31

that body. When the time came for real tariff action in 1913, the Ways and Means Committee revived the old form of bill, which had been adopted a year earlier, made a few changes, and incorporated it into the new measure. Little alteration was made by the Senate and the schedule was ultimately accepted in the form, greatly revised as compared with the act of 1909, which had been thus given to it. Many of the most interesting changes in the chemical schedule are thus matters of classification and as such will need discussion in a subsequent article, where the working of the tariff is dealt with. At this point it suffices to note that the average rate of the new schedule was about 19 per cent, or nearly

[1] *Cong. Record*, 62d Congress, 2d sess., p. 2406.

the same as under the old law, while the brief comparison in Table VI will afford some idea of the changes in detail.

VII

One of the most notable sections of the new tariff law is to be found in Schedule G relating to agricultural products and provisions. It was in this schedule that the greatest lack of sincerity and courage had been expected owing to the belief that the influence of the farm element would be strongly exerted to maintain protection; while on the other hand, the inhabitants of cities, persons with fixed salaries, and consumers generally were asking for some decided measure of relief from high prices for foods. The only preliminary attention that had been given to the subject was found in the so-called Farmers' Free List bill, adopted two years before, in which a list of articles supposed to be largely used by farmers in the management of their lands had been relieved of duties. It had been planned to introduce in Congress a salaried man's free list bill, but while there was much talk of something of the sort, nothing was ever done.

The tariff of 1913, therefore, was the first real effort to deal with the subject in a thorough manner—indeed in any manner that could afford a gauge of the determination and earnestness of those at work on the subject. In spite of very serious opposition, the final bill contained some large reductions of duty. Meats were unreservedly placed on the free list, wheat and potatoes being likewise treated, although with the reservation that if other countries should levy rates of duty upon our products we should feel free to impose retaliatory rates of equal amount. Other grains were either made free or were reduced to a low-tariff level, while fruits were given a sharp cut and vegetables of various kinds placed upon a footing of only moderate protection. If a removal of tariff duties could accomplish the desired object of lowering the cost of living, the revision thus provided for must certainly have attained the end sought. The agricultural schedule, in fact, was given about as thorough treatment as was accorded to any throughout the whole range of the tariff. There were, to be sure, some who hoped that the reductions would go even farther than they did, but they

could hardly argue for further cuts in the face of the specious and apparently well founded contention that the farmer was entitled to as much protection as any other member of the community and ought to receive at least the average rates that were accorded to other producers throughout the tariff. Barring purely theoretical considerations, and omitting from account the fact that no good ground can ever be assigned for a belief in duties upon food products whose production is subject to the law of diminishing returns, there was not much to say on this point, and when a general cut had been provided for upon a basis comparable with that applied in other schedules it was generally felt by party men that enough had been done and that more could not reasonably be asked by any except a doctrinaire advocate of free trade. The comparisons in Table VII, with equivalents, will show what was done in Schedule G.

TABLE VII

Item	Act of 1909		Act of 1913	
	Rate	Equivalent ad Valorem Per Cent	Rate	Equivalent ad Valorem Per Cent
Schedule G—Agricultural products and provisions:				
Cattle, 1 year old or over—				
Valued at not more than $14 per head	$3.75 per head	27.58	Free	Free
Valued at more than $14 per head	27½ per cent	27.50	Free	Free
Horses—				
Valued at $150 each or less	$30 per head	32.93	10 per cent	10.00
Valued at over $200 each	25 per cent	25.00	10 per cent	10.00
Sheep—				
Less than 1 year old	75 cents per head	18.78	Free	Free
1 year old or over	$1.50 per head	14.13	Free	Free
Barley	30 cents per bushel	43.05	15 cents per bushel	23.08
Macaroni, vermicelli, etc	1½ cents per pound	34.25	1 cent per pound	23.81
Rice, cleaned	2 cents per pound	54.05	1 cent per pound	33.33
Wheat	25 cents per bushel	35.65	Free	Free
Cheese	6 cents per pound	31.79	20 per cent	20.00
Eggs	5 cents per dozen	36.38	Free	Free
Hay	$4 per ton	43.21	$2 per ton	26.67
Apples, peaches, quinces, cherries, plums, and pears, green or ripe	25 cents per bushel	20.28	10 cents per bushel	8.33
Figs	2½ cents per pound	51.53	2 cents per pound	42.11
Walnuts, not shelled	3 cents per pound	40.55	2 cents per pound	28.66
Poultry, live	3 cents per pound	13.10	1 cent per pound	6.67
Mustard	10 cents per pound	37.60	6 cents per pound	23.08
Vinegar	7½ cents per gallon	33.03	4 cents per gallon	17.39

In this connection should likewise be noted the remarkable action taken in practically wiping out the old sugar schedule by providing for an immediate large reduction of duties and for placing of the article on the free list at the end of three years.

VIII

Schedule J dealing with hemp and flax was one of the few that did not receive preliminary treatment at the hands of the Ways and Means Committee. There has always been less interest in this schedule, taken as a whole, than in cotton or woolens, partly because it deals in a large degree with luxuries or articles which could not by any possibility be considered as necessary items in consumption. This remark does not apply of course to all of the items in the schedule, some of them, such as cotton bagging, being assigned an undue or disproportionately great importance by southern members as well as by others, but in the main it correctly represents the general state of things. Schedule J, therefore, was regarded as a group of duties whose revision might with entire propriety and expediency be deferred to the future, and this policy of postponement was in practice adopted, no hint of the treatment to be assigned it being given until the complete tariff bill made its appearance at the opening of the special session in April, 1913. As then reported, Schedule J provided for a very material cut in duties, the rates on raw flax and hemp which had been $22.50 per long ton being removed, while more than corresponding reductions were made in linens and other fabrics which fell within the scope of this provision. It is probable that these reductions were not so great as might have been made, had it not been for the strong feeling on the part of members of Congress that a moderate rate of duty was entirely justifiable from a revenue standpoint, inasmuch as the articles in question could probably be classed as luxuries and were consumed by persons who could well afford to pay the enhanced prices due to the imposition of substantial tariff duties. The flax and hemp schedule, moreover, had never been subjected to very serious criticism and hence there was a disposition to avoid drastic action regarding it.

In treating the silk schedule an even more clear-cut case for the application of democratic policy was presented than in the flax and hemp schedule. Silks manifestly are to be classified as luxuries and have so figured in every tariff grouping of past years. They have been from the beginning of tariff taxation subject to very considerable rates of duty imposed for revenue purposes, with

only a secondary view to encouraging the production in the United States, which has never been so extensive as it has been in other lines of textile manufacture. It was quite early decided, therefore, not to lower in any very marked degree the rates of the silk schedule, but to let them rest upon the old basis in so far as concerned their percentage relation to value. Under the Payne-Aldrich tariff, the silk schedule had figured at about 53 per cent, and it was determined to keep this in the new rates of duty well up to 50 per cent. The principal change which appeared when the bill was reported was the placing of the silk schedule upon an ad valorem basis primarily, the old specific duties so pleasing to manufacturers because of the stable protection they afforded and the minimum of inquisitorial annoyance which grew out of them being abandoned in favor of ad valorem equivalents. But these ad valorem equivalents were allowed to run upon a practically uniform and even basis throughout most of the structure of the schedule, so that at least in intent, there was but scant departure from the ideas of the Payne-Aldrich measure. An effort on the part of the Senate to reconvert these rates to a specific basis, which was earnestly urged in the hearings before the Finance Committee, was met in conference by strenuous resistance from the House, so that in the final bill the ad valorem method of levy was retained. Some representative items in the silk schedule work out as in Table VIII.

TABLE VIII

Item	Act of 1909		Act of 1913	
	Rate	Equivalent ad Valorem Per Cent	Rate	Equivalent ad Valorem Per Cent
Schedule L—Silk and silk goods:				
Spun silk or Schappe silk yarn	.....	37.00	35 per cent	35.00
Sewing silk, twist, floss, etc	.....	25.00	15 per cent	15.00
Silk goods, n.s.p.f., woven in the piece	.....	54.89	.....	50.00
Handkerchiefs or mufflers, hemstitched	60 per cent	60.00	50 per cent	50.00
Ribbons (n.s.p.f.), bandings	50 per cent	50.00	45 per cent	45.00
Artificial silk yarns	.....	41.75	35 per cent	35.00

IX

Schedule B included within its scope provisions on the two important classes of articles—earthenware and china on the one hand, and glass of all kinds on the other. While other and minor

provisions were contained in the schedule, these were by far the most significant. On both window and plate glass, rates had been practically prohibitive in the past and as a result importations had been impossible, except in a few specified items, save on those occasions when as a result of the operations of manufacturing combines prices had been raised to an exorbitant point so that importations, even under the excessive tariffs, were resorted to as a means of relief. The general drift of the changes thus made can be understood from the fact that ordinary window glass was reduced from 1⅜ cents per pound to ⅞ cents per pound on pieces not over 150 square inches; while ordinary polished plate glass was cut from 22½ cents per square foot to 12 cents on small sheets not exceeding 720 square inches, with corresponding reductions on other sizes. These reductions were made on the ground that the articles affected by them were necessary items of use and that relief to the consumer demanded a cut in the rates of duties levied upon them. In dealing with earthenware and china a different point of view was adhered to, the belief being entertained that the rates on these items were, in the main, duties levied upon luxuries and hence entirely within the scope of party policy. It was contended that there was, therefore, ample justification for the maintenance of the duties at a level very nearly as high as that of the Payne-Aldrich tariff. Only on earthenware goods of the lowest grades was any considerable reduction made, it being argued that on these items at least concessions should be made to the supposed necessities of consumers. The general level of the schedule in the end was fixed at about 32 per cent, as compared with 50 per cent under the Payne-Aldrich law. Few changes were made in the Senate, and of these few the majority were altered again in conformity to the House provision, when the measure reached conference committee.

Table IX furnishes a brief comparison of items and gives a clearer idea of the work done on Schedule B.

Some interesting changes were made likewise in the paper schedule (M) as the comparisons in Table X will show.

A few of the principal changes in the sundries schedule (N) are summed up in Table XI.

The progress of the tariff bill through the Senate had been expected to give rise to serious difficulty. After the House of Representatives had framed the new schedules upon the principles already outlined the bill was sent to the upper chamber (May 8) and was there taken under advisement in the Finance Committee,

TABLE IX

Item	Act of 1909		Act of 1913	
	Rate	Equivalent ad Valorem Per Cent	Rate	Equivalent ad Valorem Per Cent
Schedule B—Earths, earthenware, and glassware:				
Fire brick, not glazed, weighing not more than 10 pounds each	$1.25 per ton	31.07	10 per cent	10.00
Quarry tiles	45 per cent	45.00	20 per cent	20.00
China clay or kaolin	$2.50 per ton	38.51	$1.25 per ton	19.23
Fluor spar	$3 per ton	107.94	$1.50 per ton	50.00
Earthenware—				
China, painted, etc	60 per cent	60.00	55 per cent	55.00
Common	25 per cent	25.00	15 per cent	15.00
Window glass, not exceeding 150 square inches valued at more than 1½ cents per pound	1½ cents per pound	38.12	¾ cent per pound	25.00
Plate glass, cast, polished, above 720 square inches	22½ cents per square foot	78.17	12 cents per square foot	42.67

TABLE X

Item	Act of 1909		Act of 1913	
	Rate	Equivalent ad Valorem Per Cent	Rate	Equivalent ad Valorem Per Cent
Schedule M—Pulp, papers, and books:				
Printing paper, valued at over 2½ cents per pound		15.80	12 per cent	12.00
Copying paper, stereotype paper, etc		42.33	30 per cent	30.00
Bags, envelopes, etc	5 cents per pound +30 per cent	49.92	35 per cent	35.00
Surface-coated paper		50.00	40 per cent	40.00
Parchment and imitation parchment papers	2 cents per pound +10 per cent	47.94	25 per cent	25.00
Photographic paper		28.99	25 per cent	25.00
Writing paper		45.13	25 per cent	25.00

continuing in the hands of that body until June 20. The character of the work done in the Finance Committee, the considerations by which it was controlled, and finally the character and meaning of the Senate debate upon the revised bill and the subsequent discussion in conference committee between the two houses must

be deferred to a later discussion. At this point, however, it is desirable to indicate the changes through which the measure passed in the Finance Committee, on the floor, and in the final conference. These may best be summarized in tabular form as in Table XII, the table presented being intended to show with reference to every article whose rate was changed, the action of the

TABLE XI

Item	Act of 1909		Act of 1913	
	Rate	Equivalent ad Valorem Per Cent	Rate	Equivalent ad Valorem Per Cent
Schedule N—Sundries:				
Trimmed hats	50 per cent	50.00	45 per cent	45.00
Brooms	40 per cent	40.00	15 per cent	15.00
Gunpowder (under 20 cents per pound)	2 cents per pound	18.31	Free	Free
Matches, friction or lucifer, in boxes containing not more than 100 matches per box	6 cents per gross	27.59	3 cents per gross	14.52
Furs not on the skin	20 per cent	20.00	15 per cent	15.00
Haircloth known as hair seating cloth	20 cents per square yard	14.25	15 cents per square yard	10.71
Indurated fiber ware	35 per cent	35.00	25 per cent	25.00
Jewelry		75.74	60 per cent	60.00
Precious stones, uncut	Free		10 per cent	10.00
Manufactures of leather, n.s.p.f.	40 per cent	40.00	35 per cent	35.00
Manufactures of straw and grass	35 per cent	35.00	25 per cent	25.00
Manufactures of india rubber	35 per cent	35.00	10 per cent	10.00
Matting made of cocoa fiber or rattan	6 cents per square yard	21.41	5 cents per square yard	19.35
Pencils, lead	45 cents per gross +25 per cent	38.88	25 per cent	25.00

House, the final action of the Senate, and the ultimate decision of the conference committee. It is worth while to remark in this connection that the work of the conference committee as to all of these rates was ultimately accepted by both Houses, and that on none of them was it necessary to revise or rescind the action first decided on.

TABLE XII

SCHEDULE A—CHEMICALS, OILS, AND PAINTS

PARAGRAPH	ARTICLE	RATE OF DUTY		
		House Bill	Senate Amendment	Conference Report
1	Gallic acid	4 cents per pound	7 cents per pound	6 cents per pound
1	Oxalic acid	2 cents per pound	1½ cents per pound	1½ cents per pound
1	Pyrogallic acid	10 cents per pound	15 cents per pound	12 cents per pound
1	Tannic acid and tannin	4 cents per pound	5 cents per pound	5 cents per pound
403½	Alizarin, natural or synthetic, etc.	10 per cent	Free	Free
14	Compounds of caffein	15 per cent	25 per cent	25 per cent
15	Calomel, corrosive sublimate, etc.	15 per cent	20 per cent	15 per cent
460	Dead and creosote oil	5 per cent	Free	Free
460	Anthracene and anthracene oil	5 per cent	Free	Free
26	Compounds of pyroxlyn:			
	Not polished or manufactured	15 per cent	25 per cent	25 per cent
	Polished or manufactured	35 per cent	40 per cent	40 per cent
	Extracts and decoctions of—			
31	Nutgalls and Persian berries	Free	¼ cent per pound	¼ cent per pound
31	Sumac	Free	¼ cent per pound	¼ cent per pound
37	Crude chicle	20 cents per pound	15 cents per pound	15 cents per pound
37	Dextrine made from potato starch	¼ cent per pound	1½ cents per pound	1½ cents per pound
40	Licorice root, ground	¼ cent per pound	10 per cent	10 per cent
46	Alizarin assistants, etc	15 per cent	25 per cent	25 per cent
46	Flaxseed or linseed oil	12 cents per gallon	10 cents per gallon	10 cents per gallon
46	Olive oil	20 per cent	20 cents per gallon	20 cents per gallon
53	Ultramarine blue, valued at 7 cents per pound or less	15 per cent	1 cent per pound	15 per cent
62	Lithopone and white sulphide of zinc	10 per cent	15 per cent	15 per cent
65	Chlorate of potash	1 cent per pound	Free	½ cent per pound
584	Cyanide of potash	1½ cents per pound	Free	Free
67	Perfumed toilet soaps	40 per cent	30 per cent	30 per cent
67	Medicinal soaps	30 per cent	20 per cent	20 per cent
609	Cyanide of soda	1½ cents per pound	Free	Free

SCHEDULE B—EARTHS, EARTHENWARE, AND GLASSWARE

452½	Cement, roman, Portland, and other	5 per cent	Free	Free
76	White non-staining Portland cement	5 per cent	10 per cent	10 per cent
537½	Limestone rock asphalt	25 cents per ton	Free	Free
	Asphaltum and bitumen	50 cents per ton	Free	Free
79	Mica unmanufactured:			
	Valued not above 15 cents per pound	30 per cent	4 cents per pound	4 cents per pound
	Valued above 15 cents and not above 75 cents	30 per cent	25 per cent	25 per cent
	Valued above 75 cents per pound	30 per cent	20 per cent	25 per cent
80	Stoneware and earthenware crucibles	15 per cent	20 per cent	15 per cent
83	Manufactures of carbon, n.s.p.f.	15 per cent	25 per cent	20 per cent
84	Carbons for flaming arc lamps	40 cents per 100 feet	30 per cent	30 per cent
86	Goblets or other glassware, cast or pressed	30 per cent	45 per cent	30 per cent
90	Cast polished plate glass over ¼ inch thick	6 cents per foot	30 per cent	6 cents per foot
	Do	8 cents per foot	30 per cent	8 cents per foot
	Do	12 cents per foot	30 per cent	12 cents per foot
94	Lenses of glass or pebble	30 per cent	25 per cent	25 per cent
94	Strips of glass, etc	20 per cent	25 per cent	25 per cent
95	Opera and field glasses, etc	30 per cent	35 per cent	35 per cent
96	Surveying instruments, etc	30 per cent	25 per cent	25 per cent
498	Glass enamel, white, for watch and clock dials	Free	20 per cent	Free

TABLE XII—*Continued*

SCHEDULE C—METALS AND MANUFACTURES OF

PARAGRAPH	ARTICLE	RATE OF DUTY		
		House Bill	Senate Amendment	Conference Report
522	Iron in pigs, iron kentledge spiegeleisen, wrought and cast scrap iron and scrap steel	8 per cent	Free	Free
	Ferromanganese	15 per cent	Free	Free
105	Iron in slabs, blooms, etc.	8 per cent	Free	Free
105	Muck bars, bar iron, etc.	8 per cent	5 per cent	5 per cent
106	Structural shapes of iron or steel	12 per cent	10 per cent	10 per cent
107	Boiler or other plate iron or steel sheets of iron or steel common or black, crucible plate steel and saw plates and skelp iron or steel	15 per cent	12 per cent	12 per cent
108	Anchors and forgings	15 per cent	12 per cent	12 per cent
109	Hoop, band, or scroll iron or steel	12 per cent	10 per cent	10 per cent
111	Iron or steel plates, strips, etc., galvanized, etc.	20 per cent	15 per cent	15 per cent
111	Tin plates, coated, etc.	20 per cent	15 per cent	15 per cent
615½	Steel ingots, cogged ingots, etc., made by the Bessemer or similar process	10 per cent	Free	Free
112	Steel bars and shapes, made by the Bessemer or similar process	10 per cent	8 per cent	8 per cent
112	Steel ingots, etc., made by the crucible, electric or cementation process	15 per cent	12 per cent	15 per cent
113	Steel wool or steel shavings	20 per cent	15 per cent	20 per cent
114	Grit, shot, and sand	30 per cent	25 per cent	30 per cent
116	Round iron or steel wire	20 per cent	15 per cent	15 per cent
	Wire rope	30 per cent	25 per cent	30 per cent
	Woven-wire cloth, etc.	20 per cent	30 per cent	15 per cent
	Manufactures of wire	15 per cent	25 per cent	15 per cent
121	Automobiles, valued at—			
	Less than $2,000 and more than $1,000	45 per cent	30 per cent	30 per cent
	$1,000 or less	45 per cent	15 per cent	30 per cent
122	Motor cycles	40 per cent	25 per cent	25 per cent
125	Nuts, or nut blanks, and washers	15 per cent	5 per cent	5 per cent
125	Bolts of iron or steel	15 per cent	10 per cent	10 per cent
125	Spiral nut locks and washers	35 per cent	25 per cent	30 per cent
126	Card clothing, when manufactured—			
	With round iron or untempered round steel wire	40 per cent	10 per cent	10 per cent
	With tempered round steel or plated wire, etc.	40 per cent	30 per cent	35 per cent
127	Cast iron pipe, etc.	12 per cent	Free	10 per cent
128	Sprocket and machine chains	20 per cent	25 per cent	25 per cent
	above 75 cents	30 per cent	25 per cent	25 per cent
133	Files, file blanks, rasps and floats of all cuts and kinds	25 per cent	20 per cent	25 per cent
133	Hand cut files and files of precision	25 per cent	35 per cent	25 per cent
137	Needles, etc.	35 per cent	20 per cent	20 per cent
144	Wheels for railway purposes	25 per cent	15 per cent	20 per cent
615½	Ingots, cogged ingots, etc.	10 per cent	Free	Free
145	Aluminum, aluminum scrap, etc.	25 per cent	2 cents per pound	2 cents per pound
145	Aluminum in plates, etc.	25 per cent	3½ cents per pound	3½ cents per pound
404½	Antimony ore and stibnite, etc.	10 per cent	Free	Free
148	Bronze powder, etc.	25 per cent	8 cents per pound	25 per cent
148	Bronze or Dutch metal or aluminum, in leaf	25 per cent	4 cents per 100 leaves	25 per cent
152	Tinsel wire, lame or lahn	10 per cent	6 per cent	6 per cent
152	Bullion and metal threads	30 per cent	25 per cent	25 per cent
154	Lead-bearing ores	½ cent per pound	¼ cent per pound	¼ cent per pound
163	Time detectors	30 per cent	15 per cent	15 per cent

TABLE XII—*Continued*

Paragraph	Article	Rate of Duty		
		House Bill	Senate Amendment	Conference Report
164	Zinc-bearing ores	10 per cent	12½ per cent	10 per cent
165	Zinc in blocks, etc	10 per cent	15 per cent	15 per cent
169	Articles, in chief value of iron, steel, lead, etc	25 per cent	20 per cent	20 per cent
	Schedule D—Wood and Manufactures of			
649	Wood unmanufactured, not specially provided for	15 per cent	Free	Free
174	Wood comprising the sides, tops, and bottoms of fruit boxes exported as fruit-box shooks, and reimported filled with fruit	7½ per cent	Free	Free
176	Toothpicks of animal substance	20 per cent	25 per cent	20 per cent
	Schedule E—Sugar, Molasses and Manufactures of			
179	Sugar above 16 Dutch standard	1.9 cents per pound	*	*
182	Sugar refined and colored, etc	2 cents per pound	*	*
182	Chewing gum	15 per cent	25 per cent	15 per cent
	Schedule F—Tobacco and Manufactures of			
	No changes.			
	Schedule G—Agricultural Products and Provisions			
621	Cattle	10 per cent	Free	Free
189	Horses and mules, valued $200 or less per head	$15 head	10 per cent	10 per cent
621	Sheep	10 per cent	Free	Free
196	Oats	10 cents per bushel	6 cents per bushel	6 cents per bushel
196	Oatmeal and rolled oats	Free	33 cents per hundred weight	30 cents per 100 pounds
	Oat hulls	Free	9 cents per hundred weight	8 cents per 100 pounds
197	Rice flour and rice meal, etc	¼ cent per pound	½ cent per pound	½ cent per pound
646	Wheat	10 cents per bushel	Free	Free
200	Butter	3 cents per pound	2½ cents per pound	2½ cents per pound
201	Cheese	20 per cent	2½ cents per pound	20 per cent
203	Beets	10 per cent	5 per cent	5 per cent
485	Eggs	2 cents per dozen	Free	Free
208	Frozen eggs	2½ cents per pound	2 cents per pound	2 cents per pound
208	Egg albumen, frozen or liquid	3 cents per pound	1 cent per pound	1 cent per pound
428	Dried blood when soluble	1½ cents per pound	Free	Free
214	Peas, green or dried, in bulk	15 cents per bushel	10 cents per bushel	10 cents per bushel
214	Split peas	25 cents per bushel	20 cents per bushel	20 cents per bushel
214	Peas in cartons, etc	¼ cent per pound	¼ cent per pound	¼ cent per pound
215	Decorative greenhouse plants, etc	25 per cent	15 per cent	15 per cent
217	Flaxseed or linseed, etc	20 cents per bushel	15 cents per bushel	20 cents per bushel
217	Seeds, n.s.p.f	10 per cent	5 cents per pound	5 cents per pound
221	Fish, in oil, except shellfish	25 per cent	25 per cent	25 per cent
223	Zante currants	2 cents per pound	1 cent per pound	1½ cents per pound
225	Lemons, limes, oranges, grapefruit, etc., in packages of a capacity—			
	Of 1½ cubic feet or less	18 cents per peck	¼ cent per pound	18 cents per peck
	Exceeding 1½ and not exceeding 2½ cubic feet	35 cents per peck	¼ cent per pound	35 cents per peck
	Exceeding 2½ cubic feet and not exceeding 5 cubic feet	70 cents per peck	¼ cent per pound	70 cents per peck
	Bananas	Free	1/10 cent per pound	Free

TABLE XII—*Continued*

Paragraph	Article	Rate of Duty		
		House Bill	Senate Amendment	Conference Report
233	Extract of meat, n.s.p.f.	15 cents per pound	10 cents per pound	10 cents per pound
233	Extract of meat fluid	7 cents per pound	5 cents per pound	5 cents per pound
236	Chocolate and cocoa, sweetened, valued over 15 cents per pound, not over 20 cents per pound	25 per cent.	2 cents per pound	2 cents per pound
240	Spices, cassia, cinnamon, etc., ground	1 cent per pound	1 cent per pound and 20 per cent	1 cent per pound and 20 per cent
240	Bombay or wild mace	8 cents per pound	18 cents per pound	18 cents per pound
	Schedule H—Spirits, Wines, and Other Beverages			
253	Ginger ale, ginger beer, etc., in bottles containing less than ½ pint	18 cents per dozen	12 cents per dozen	12 cents per dozen
254	Bottles over one quart filled with mineral waters and imitations thereof	10 per cent.	30 per cent.	10 per cent
	Bottles not over one quart	10 per cent.	Free	10 per cent
	Casks, barrels, and hogsheads containing mineral waters, etc.	5 per cent.	15 per cent.	5 per cent
	Schedule I—Cotton Manufactures			
255	Cotton thread or yarn—			
	Not bleached, dyed, etc.—			
	Exceeding 79 and not 99	20 per cent.	22½ per cent.	22½ per cent
	Bleached, dyed, etc.—			
	Not exceeding 79	5–20 per cent.	7½–22½ per cent.	7½–22½ per cent
	Exceeding 79 and not 99	20 per cent.	25 per cent.	25 per cent
	Exceeding 99	25 per cent.	27½ per cent.	27½ per cent
257	Cotton cloth—			
	Not bleached, dyed, etc., Nos. 79 to 99	22½ per cent.	25 per cent.	25 per cent
	Bleached, dyed, etc., Nos. 79 to 99	25 per cent.	27½ per cent.	27½ per cent
260	Handkerchiefs or mufflers, made of cotton, not hemmed	30 per cent.	25 per cent.	25 per cent
261	Clothing, etc., when composed of cotton in combination with flax, etc.	30 per cent.	35 per cent.	30 per cent
261	Shirts collars and cuffs of cotton	25 per cent.	30 per cent.	30 per cent
265	Stockings, hose, and half hose:			
	Valued not more than 70 cents per dozen	40 per cent.	30 per cent.	30 per cent
	Valued more than 70 cents and not more than $1.20	50 per cent.	30 per cent.	40 per cent
267	Bandings, belts, bindings, etc.	25 per cent.	30 per cent.	25 per cent
270	Nets and nettings made on the Nottingham lace machine	45 per cent.	60 per cent.	60 per cent
	Schedule J—Flax, Hemp, and Jute, and Manufactures of			
492	Flax, not hackled or dressed	¼ cent per pound	Free	Free
492	Flax, hackled, known as dressed	1½ cents per pound	Free	Free
492	Tow of flax	$10 per ton	Free	Free
492	Hemp, and tow of hemp	¼ cent per pound	Free	Free
	Hemp, hackled, known as line of hemp	1 cent per pound	Free	Free

TABLE XII—*Continued*

Paragraph	Article	Rate of Duty		
		House Bill	Senate Amendment	Conference Report
276	Single yarns of jute, not finer than 5 lea or number	15 per cent	20 per cent	15 per cent
276	Same, finer than 5 lea	25 per cent	20 per cent	20 per cent
278	Threads, twines, or cords made from flax yarn not finer than 5 lea	25 per cent	20 per cent	20 per cent
278	Same, made from yarn finer than 5 lea	30 per cent	25 per cent	25 per cent
279	Single yarns, made of flax, etc., not finer than 8 lea	15 per cent	12 per cent	12 per cent
279	Same, finer than 8 and not finer than 80	25 per cent	20 per cent	20 per cent
280	Gill nettings, etc	30 per cent	25 per cent	25 per cent
281	Floor mattings (square yard)	2½ cents	2 cents	2½ cents
282	Carpets, made of flax, etc	35 per cent	30 per cent	30 per cent
284	Tapes, composed wholly or in part of flax, etc	25 per cent	20 per cent	20 per cent
287	Wearing apparel, flax, etc	50 per cent	40 per cent	40 per cent
416	Plain woven fabrics, not bleached, dyed, colored, etc	20 per cent	Free	Free
289	Pile fabrics, etc	45 per cent	40 per cent	40 per cent
290	Bags or sacks, made from plain woven fabrics, etc	25 per cent	10 per cent	10 per cent
292	Plain woven fabrics, of flax, hemp, or ramie, etc	35 per cent	30 per cent	30 per cent
293	All woven articles, etc., of flax, hemp, or ramie	40 per cent	35 per cent	35 per cent
293	Woven figured upholstery goods, etc	40 per cent	35 per cent	35 per cent

SCHEDULE K—WOOL AND MANUFACTURES OF

295	Combed wool or tops	15 per cent	5 per cent	8 per cent
296	Yarns made wholly or in chief value of wool	20 per cent	15 per cent	18 per cent
297	Cloths in chief value, of the hair of the horse, or cattle n.s.p.f.	15 per cent	25 per cent	25 per cent
318	Pile fabrics of wool	35 per cent	40 per cent	40 per cent
	Stockings, in chief value of wool, n.s.p.f.	35 per cent	20 per cent	20 per cent
	Stockings, etc., selvedged, etc., composed wholly or in chief value of wool, valued at—			
	Not more than $1.20 per dozen	35 per cent	30 per cent	30 per cent
	More than $1.20 per dozen	35 per cent	40 per cent	40 per cent
	Press cloth composed of camel's hair n.s.p.f.	35 per cent	10 per cent	10 per cent
298	Flannels composed wholly or in chief value of wool, valued above 50 cents per pound	55 per cent	25 per cent	30 per cent
309	Oriental and similar rugs, and carpets of every description, etc., the value of which does not exceed 30 cents per square foot	50 per cent	†	50 per cent
314	Hair of the Angora goat, etc	20 per cent	Free	15 per cent
315	Tops, made of the hair of the Angora goat, etc	25 per cent	5 per cent	20 per cent
316	Yarns made of the hair of the Angora goat, etc	30 per cent	25 per cent	25 per cent
317	Cloth and manufactures of every description wholly or in chief value of the hair of the Angora goat, etc	40 per cent	35 per cent	40 per cent
318	Plushes, velvets, etc., of the hair of the Angora goat, etc.	50 per cent	40 per cent	45 per cent

TABLE XII—*Continued*

SCHEDULE L—SILKS AND SILK GOODS

PARAGRAPH	ARTICLE	RATE OF DUTY		
		House Bill	Senate Amendment	Conference Report
319	Silk partially manufactured, etc.	15 per cent	30 cents per pound	20 cents per pound
320	Spun silk or schappe silk yarn	35 per cent	†37 per cent	35 per cent
321	Thrown silk, etc	15 per cent	†22 per cent	15 per cent
	Sewing silk, etc	15 per cent	†25 per cent	15 per cent
322	Velvets, etc., of silk	50 per cent	†53 per cent	50 per cent
323	Handkerchiefs and mufflers of silk	40 per cent	45 per cent	40 per cent
324	Ribbons, bandings, etc., of silk	40 per cent	45 per cent	45 per cent
326	Woven fabrics in the piece of silk	45 per cent	†55 per cent	45 per cent
327	Yarns, etc., of imitation or artificial silk	35 per cent	25 per cent	35 per cent

SCHEDULE M—PAPERS AND BOOKS

332	Papers with surface coated, etc	35 per cent	25 per cent	25 per cent
	Surface-coated papers, n.s.p.f	35 per cent	50 per cent	40 per cent
	Plain basic papers, etc	25 per cent	15 per cent	15 per cent
	Lithographs printed from stone, etc:			
	Cigar labels, flaps, and bands printed entirely in bronze—			
	Labels and flaps	15 per cent	15 cents per pound	15 cents per pound
	Bands	15 per cent	20 cents per pound	20 cents per pound
333	Printed in less than 8 colors, not entirely bronze—			
	Labels and flaps	25 per cent	15 cents per pound	15 cents per pound
	Bands	25 per cent	20 cents per pound	20 cents per pound
	Printed in more than 8 colors—			
	Labels and flaps	25 per cent	20 cents per pound	20 cents per pound
	Bands	25 per cent	25 cents per pound	25 cents per pound
	Printed in whole or in part in metal leaf—			
	Labels and flaps	30 per cent	35 cents per pound	35 cents per pound
	Bands	30 per cent	40 cents per pound	40 cents per pound
	Booklets	12 per cent	7 cents per pound	7 cents per pound
	Books for children's use	12 per cent	4 cents per pound	4 cents per pound
	Fashion magazines	12 per cent	6 cents per pound	6 cents per pound
	Booklets decorated by hand, etc	12 per cent	12 cents per pound	10 cents per pound
	All other lithographs:			
	Not over 8/1000 of an inch thick	20 per cent	15 cents per pound	15 cents per pound
	Over 8/1000, not over 20/1000—			
	Less than 35 square inches	20 per cent	6 cents per pound	5 cents per pound
	Over 35 square inches	20 per cent	8 cents per pound	7 cents per pound
	Over 20/1000 inch thick	20 per cent	6 cents per pound	5 cents per pound
	Decalcomanias other than toy:			
	In ceramic colors—			
	Not over 100 pounds per thousand sheets	20 per cent	60 cents per pound	60 cents per pound
	All other	20 per cent	20 cents per pound	15 cents per pound
337	Views of any landscape in the United States, etc	45 per cent	25 cents per pound	20 cents per pound

SCHEDULE N—SUNDRIES

342	Ramie hat braids:			
	Not bleached or dyed	15 per cent	40 per cent	40 per cent
	Bleached or dyed	20 per cent	40 per cent	40 per cent

TABLE XII—*Continued*

Paragraph	Article	Rate of Duty		
		House Bill	Senate Amendment	Conference Report
343	Hats of ramie:			
	Untrimmed	25 per cent	50 per cent	50 per cent
	Trimmed	40 per cent	50 per cent	50 per cent
347	Buttons:			
	Vegetable ivory—			
	36 lines and over	40 per cent	35 per cent	35 per cent
	Smaller than 36 lines	40 per cent	50 per cent	45 per cent
	Shell and pearl—			
	36 lines and over	40 per cent	25 per cent	25 per cent
	Smaller than 36 lines	40 per cent	50 per cent	45 per cent
	Agate and shoe	40 per cent	15 per cent	15 per cent
486	Crude artificial abrasives	10 per cent	Free	Free
496½	Fulminates, etc	5 per cent	Free	Free
505½	Gunpowder, etc	½ and 1 cent per pound	Free	Free
355	Matches, imported other than in boxes containing not over 100	½ cent per thousand	¼ cent per thousand	¼ cent per thousand
356	Blasting caps	75 cents per thousand	$1.00 per thousand	$1.00 per thousand
496½	Furs and skins, undressed	10 per cent	Free	Free
358	Furs dressed on the skin	30 per cent	20 per cent	30 per cent
358	Plates and mats of dog and goat skins	40 per cent	10 per cent	10 per cent
358	Manufactures of fur	40 per cent	35 per cent	40 per cent
358	Wearing apparel made of the skins of cattle of the bovine species, dog or goat	50 per cent	15 per cent	15 per cent
358	Articles of wearing apparel, n.s.p.f	50 per cent	45 per cent	50 per cent
358	Furs not on the skin, etc	15 per cent	20 per cent	15 per cent
364	Hats, etc., of fur, etc	40 per cent	45 per cent	45 per cent
481½	Glaziers' and engravers' diamonds, not set	10 per cent	Free	Free
367	Diamond dust	10 per cent	Free	10 per cent
471	Marine coral, uncut and unmanufactured	Free	10 per cent	Free
369	Seal, sheep, lamb, kid, calf-skins, patent japanned and enameled leather	Free	10 per cent	Free
369	Leather cut into forms for articles	Free	15 per cent	Free
370	Bags, etc., of leather fitted with sets	30 per cent	40 per cent	35 per cent
372	Men's Schmaschen gloves (per doz.)	$1.00	$3.00	$1.00
373	Men'sleathergloves(perdoz.pairs)	$2.00	$3.00	$2.50
534	Harness, saddlery, etc., n.s.p.f	20 per cent	Free	Free
376	Manufactures of amber, catgut, and whip gut or worm gut, n.s.p.f	10 per cent	20 per cent	20 per cent
378	Manufactures of india rubber or gutta percha known as druggists' sundries	10 per cent	15 per cent	15 per cent
379	Manufactures of ivory, etc	30 per cent	35 per cent	35 per cent
380	Masks	20 per cent	25 per cent	25 per cent
383	Strings for musical instruments	35 per cent	20 per cent	20 per cent
386	Paintings in oil or water colors	15 per cent	25 per cent	15 per cent
388	Pencils	25 per cent	36 cents per gross	36 cents per gross
390	Cameras	30 per cent	15 per cent	15 per cent
390	Photographic film negatives:			
	Exposed but not developed	20 per cent	4 cents per linear foot	2 cents per linear foot
	Exposed and developed	20 per cent	5 cents per linear foot	3 cents per linear foot
	Photographic film positives	20 per cent	1½ cents per linear foot	1 cent per linear foot
391	Meerschaum, crude or unmanufactured	Free	20 per cent	20 per cent

TABLE XII—*Concluded*

FREE LIST

PARAGRAPH	ARTICLE	RATE OF DUTY		
		House Bill	Senate Amendment	Conference Report
401	Beet and sugar-cane machinery	25 per cent	Free	Free
403	Alcohol, ethyl, denatured	$2.60 per gallon	Free	$2.60 per gallon
404	Perchlorate of ammonia	15 per cent	Free	Free
416	Plain woven fabrics, single jute yarn, not bleached, dyed, etc	20 per cent	Free	Free
298	Blankets, of wool or cotton, valued at less than 40 cents per pound	25 per cent	Free	25 per cent
430	Press cloths for oil milling purposes, composed of camel's hair	Free	10 per cent	Free
434	Textbooks used in schools	15 per cent	Free	Free
434	Apparatus used in teaching the blind	¶	Free	Free
450	Sand-blast machines and sludge machines	25 per cent	Free	Free
452	Catgut for surgical use	10 per cent	Free	Free
505	Amber in chips, valued not more than 50 cents per pound	$1.00 per pound	Free	Free
532	Lard compounds and substitutes	15 cents per pound	Free	Free
558	Horseshoe nail rods	10 per cent	Free	Free
559	Needles for shoe machines	25 per cent	Free	Free
561	Palm nuts and palm-nut kernels	1 cent per pound	Free	Free
566	Perilla oil	15 per cent	Free	Free
580½	Lubricating oil, n.s.p.f.	Free	15 per cent	15 per cent
615½	Photographic and moving-picture films	20 per cent	Free	Free
631	Steel engraved forms for bonds, etc	15 per cent	Free	Free
652	Terra alba, not made from gypsum or plaster rock	Free	50 cents per ton	Free
654	Paper twine for binding wool	25 per cent	Free	Free
	Paintings and statuary less than 50 years old	Free	25 per cent	Free

* Various rates according to polariscopic test.

† Specific rates are provided for this article varying according to condition from 55 cents to $3.00 per pound, which are approximately the equivalent of the ad valorem rate here shown.

‡ The same duty shall be assessed as that which applies to the same or similar grades of carpets, plus 5 per cent ad valorem.

¶ According to material of which made.

XI

The outline of the actual work accomplished by the tariff of 1913 is now complete. Before proceeding to a critical estimate of the meaning of that work and before attempting an analysis of the debates on the bill which shall place them in a proper perspective as related to other tariff discussion, it is worth while to consider the effect of the Underwood-Simmons act in the aggregate and to form as fair an idea as possible of the general purport of its provisions. As has been seen, the net effect of the changes made has been to reduce the average level of tariff duties from about

37 per cent to about 27 per cent. But this, as already incidentally noted, is not by any means the whole story, inasmuch as certain features of the bill have been left at their old figures—notably the schedule relating to wines, liquors and tobacco—with a view to getting revenue from articles not regarded as necessary to life in any proper sense of the word. If attention be focused upon the necessary articles to which the average consumer turns in making up his annual budget, it will be found that the general level of reduction has been, so far as such matters can be fairly stated in terms of averages, from about 32 per cent to about 21 per cent. This reduction is unquestionably equivalent to the paring off of the surplus layer of protection which had kept producers of the necessaries of life invulnerable to the shafts of possible foreign competition when, favored by conditions which permitted such action, they raised their prices for the purpose of mulcting the consumer. It must be conceded that this step is nothing less than a genuine revolution in the protective policy of the United States. It constitutes a direct breach with the past and, more important still, the manner of doing it holds out a clear promise for the future; it is equivalent to a pledge to the community that surplus tariff duties shall be removed whenever conditions will permit. Moreover, the entire indifference to the special pleas of manufacturers who would have wrought the new bill into a shape corresponding to their own wishes constitutes a new departure in legislative methods. The future historian of the tariff will count it of great importance that the radical reduction effected by the act of 1913 was made, but he will count it of far greater importance that the system of backstairs statesmanship, the secret confabs with manufacturers, the delivery of protective jokers in return for promised campaign contributions, was terminated, and that the tariff act was passed under conditions free from any grave scandal at least, and uncontaminated by the presence of serious suspicion as to motive. He will hold it a remarkable advance in American legislation that the crooked and devious methods formerly pursued in the upper chamber of Congress for the purpose of crippling desirable provisions originating in the lower chamber were largely abandoned, and that if anything the Senate went farther in its

effort to place the tariff bill upon a theoretically just and sound foundation than did the House of Representatives. From the standpoint of legislative philosophy, it will doubtless be admitted that the tariff act of 1909 carried within itself its own seeds of retribution. The tide of tariff reform on whose crest the Underwood-Simmons bill became law could never have attained the height it did, save for the public indignation which demanded a reaction from the dishonest favoritism, graft, and political trickery of the act of 1909.

A new standard must, however, be applied in judging the act of 1913. It cannot fairly be judged by mere comparison with the act of 1909. It must be tested in part by its results, since it is enough of a breach with the past to produce actually traceable results. It must also be tested by the hold it attained upon the electorate, and that hold will be partly at least dependent upon the attitude of the public toward the income-tax law which was brought in as a feature of the tariff measure to supplement the curtailed income resulting from the cuts in duties that were made by the enactment itself. It is therefore necessary to gain a broader viewpoint of the tariff of 1913 than that which has to do merely with the rates of duty levied and with the way in which these were determined. In its ethical aspects, in its method of preparation, and in its conceptions, the act is far superior to the legislation by which it had been preceded, since its authors succeeded in emerging from the poisonous morass of political dishonesty in which the former acts were framed. But the introduction of a different concept of federal taxation, and the attempt to apply this new concept in practice places the whole issue upon much larger and entirely new ground. How the act must and will be judged, in what way it will affect the relations of the federal government to the electorate, and the canons that must be applied in estimating its probable industrial consequences must be deferred for later treatment.

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"Tied" leases and shoe-production-service have developed naturally together. Shoe machinery seems always to have been more conveniently leased than bought outright. As shoe machinery became more expensive, varied, and complex, it became more convenient to lease than to buy, and more essential that the machines composing the successive links in the chain of shoe manufacture should be in perfect mechanical correlation. An arrangement of leases was accordingly developed that encouraged the shoe manufacturer to use a series of perfectly correlated machines for the series of mechanical operations in the "bottoming" of shoes, and encouraged the machinery manufacturer to keep this series of machines in perfect operation in the shoe manufacturer's factory. This arrangement of leases, on which shoe-production-service entirely depended, in turn depended entirely on "tied" leases.

VIII

"Tied" leases and shoe-production-service have their counterparts in many familiar industries.

The railroad company "ties" its locomotives, its cars, its roadbed, and its station facilities, and offers them to its passengers for use in combination only. The telephone company "ties" its instruments, its switch-boards, its trunk lines, and its exchanges, and offers them as one indivisible service only. The taxicab company "ties" the taxicab and the chauffeur, and offers them for hire as one entirety only.

So familiar are all these "tieing" arrangements that no one ever thinks of "untieing" them. The railroad company might, of course, offer its patrons the separate use of its roadbed without its equipment, or its equipment without its roadbed, or its station facilities without either roadbed or equipment. The telephone company might lease its instruments, its switchboards, its trunk lines, and its exchanges separately, and leave to others the co-ordination of all these appliances into a complete telephone service. The taxicab company might let taxicabs without chauffeurs, and

chauffeurs without taxicabs. Such arrangements would, of course, be physically possible, and a fair charge for each separate item might possibly be determined. But everyone knows that under such arrangements all possibility of service would disappear.

Service is not leasing locomotives and cars and roadbeds and station facilities, nor renting telephone instruments and switchboards and trunk lines and exchanges, nor hiring out taxicabs and chauffeurs. Service is all these and much more besides. Railroad service is the use of the locomotive, the car, the roadbed, and the station facilities, and also the assumption of complete responsibility by the railroad company for a safe and reasonably comfortable journey. Telephone service is the use of the instrument, the switchboard, the trunk line, and the exchange and also the assumption of complete responsibility by the telephone company for prompt and efficient transmission of speech. Taxicab service is the use of the taxicab and the chauffeur, and also the assumption of complete responsibility by the taxicab company for a satisfactory trip. The use of all of the appliances of the railroad company, or of the telephone company, or of the taxicab company, is obviously more valuable, when they are used together, than their separate, uncorrelated use can ever possibly be. Until all the appliances for service have been integrated, either by the patron or by someone for him, the first essential of satisfactory service will be lacking.

Satisfactory service must begin with concentration. Whoever would assume the responsibility for satisfactory service must first assemble all the appliances, and then adjust them to each other in perfect correlation, before he can have the absolutely essential conditions of satisfactory service. Nothing short of complete integration, under single concentrated control, will suffice. Neither the use of all the company's appliances, nor their integration at the trouble and expense of the patron, will produce real service. The assumption by the company of complete responsibility for satisfactory operation is a larger element of service than the use of the company's appliances separately, or the use of all of the company's appliances, or even the use of all of the company's appliances together. Not until responsibility for satisfactory operation has been completely shifted from the patron to the company can service

be said to begin. Not until all the appliances of service have been integrated and concentrated under the company's control can the company ever assume this responsibility. As the first condition of service, therefore, perfect integration and concentrated control must be accomplished by one sort or another of "tieing" arrangement.

These truths would scarcely deserve mention were they not so obvious as frequently to escape notice. "Tied" leases of shoe machinery have been attacked in principle, and the entire economic case against the United Shoe Machinery Company has been rested upon them. Nevertheless, in principle at least, "tied" leases appear to be an absolute economic necessity without which shoe-production-service would be impossible. Were the economic case against the United Shoe Machinery Company, therefore, to be determined upon the issue of whether or not "tied" leases are sound in principle, the economic experience of every industry furnishing service to the community would seem to be decisive of the case.

IX

At the point where government regulation begins, the analogy of shoe-production-service to the service furnished by public utility corporations necessarily breaks down.

Railroad and telephone companies and taxicab owners subsist upon franchises and licenses which confer special privileges, and they are, for that reason, properly subject to government regulation. But shoe machinery, like the steam engine—to use the Supreme Court's illustration in its discussion of shoe machinery[1]—is wholly the product of individual and unaided private enterprise. Shoe-machinery manufacturers, therefore, should never, legally or governmentally, be considered subject to governmental regulation like public utilities, any more than the manufacturers of steam engines or other complicated mechanical products.

With this important qualification, however, shoe-production-service is a true economic and industrial utility. Economically and industrially, all utilities that furnish service to their customers, whether public or private, have many features in common.

[1] *United States* v. *Winslow*, 227 U.S. 202, 217, 218.

Efficient shoe-production-service, no less than efficient railroad, telephone, and taxicab service, depends, as has already been shown, upon concentrated control and responsibility. Nor does the resemblance end here. Shoe-production-service, like railroad, telephone, and taxicab service, has been found to be most practicable when furnished to everybody upon substantially equal terms. Shoe-production-service, therefore, more conspicuously than any other form of private utility, has demonstrated that equality of treatment, instead of being a rule of legal and governmental creation, is the economic and industrial law of every true utility, whether public or private.

Equality of treatment, Mr. Brandeis declares, has always been the policy of the United Shoe Machinery Company:

> They started out with certain perfectly admirable principles which, I understand, have been adhered to. In the first place, everybody, big and little, was to be treated alike; there was to be no discount for quantity; so that the small manufacturer had the same chance as the large manufacturer, both in respect to service and royalty. The company adopted a system of leasing, which gave an opportunity to the small manufacturer with little capital to go into the business; and the company gave him as good service as the larger manufacturer.[1]

Before the United Shoe Machinery Company was organized, this was not the rule. Even the company's critics have conceded the improvement which the company in this respect has brought about:

> We were obliged to dicker and trade with every different manufacturer of machinery all the time, with the moral certainty that somebody who had more time and attention to give to it would get a better bargain than we were able to obtain. . . . . Today this is all changed. . . . . We are confident that we are getting the machine on as favorable terms as any competitor and we are enabled to employ our own time and ability to the legitimate branches of our business, and we have not, up to this time, been obliged to pay as much for this privilege as we formerly paid for the very much less satisfactory conditions.[2]

Shoe manufacturers in general have seemed enthusiastic over the equality with which the United Shoe Machinery Company treats all its customers:

[1] Senate Interstate Commerce Committee Hearings, December 14, 15, and 16, 1911, Part XVI, p. 1160.

[2] Charles H. Jones, quoted in House Judiciary Committee Hearings, January 26, 27, and February 19, 1912, p. 110.

"The United Company have treated everybody exactly alike," said a New York manufacturer.[1] "The company uses us all alike," declared a Massachusetts manufacturer.[2] "One thing, especially, which appeals to us, is that all are treated alike," said another Massachusetts manufacturer.[3] "The benefits we receive from the United Shoe Machinery Company," declared a New York manufacturer, "have enabled us to compete successfully with the larger manufacturers of shoes."[4] "We have no fault whatever to find with them as we concede that we are on par with everyone else," said another New York manufacturer.[5] "We positively know that we get the same fair treatment that all our competitors get," declared a Wisconsin manufacturer.[6] "The man with small means but with ability," said a California manufacturer, "has really the same opportunity as the man with millions. He obtains his machinery on the same basis as his neighbor."[7] "The present policy of the company," declared a Pennsylvania manufacturer, "is a decided benefit to the smaller manufacturers, inasmuch as it places them on an equality with their larger competitors, so far as the company's line of machinery is concerned, and enables men of small means to engage in the manufacture of shoes."[8]

[1] Letter of Heywood Boot and Shoe Co., Worcester, Mass., *Boston News Bureau*, November 24, 1911; House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, pp. 21–30.

[2] Letter of Trevett & Berry, Lynn, Mass., *Boston News Bureau*, November 18, 1911; House Judiciary Committee Hearings, Feb. 20, 21, 22, March 1, 1912, pp. 21–30.

[3] Letter in *Boston New Bureau*, November 20, 1911; House Judiciary Committee Hearings, February 20, 21, 22, March 1, 1912, pp. 21–30.

[4] Letter of A. G. Spalding & Bros., New York, *Boston News Bureau*, December 6, 1911; House Judiciary Committee Hearings, February 20, 21, 22, March 1, 1912, pp. 21–30.

[5] Letter of Meldola & Coon, Rochester, N.Y., *Boston News Bureau*, December 1, 1911; House Judiciary Committee Hearings, February 20, 21, 22, March 1, 1912, pp. 21–30.

[6] Letter of Columbia Shoe Manufacturing Co., Sheboygan, Wis., *Boston News Bureau*, November 11, 1911; House Judiciary Committee Hearings, February 20, 21, 22, March 1, 1912, pp. 21–30.

[7] Letter of Brennan Tannery and Shoe Manufacturing Co., Upland, Cal., *Boston News Bureau*, December 2, 1911; House Judiciary Committee Hearings, February 20, 21, 22, March 1, 1912, pp. 21–30.

[8] Letter of T. H. Eisenhuth, Williamsport, Pa., *Boston News Bureau*, November 13, 1911; House Judiciary Committee Hearings, February 20, 21, 22, March 1, 1912, pp. 21–30.

This equality of service and royalty charge, to rich and poor alike, which has always characterized the United Shoe Machinery Company system, has repeatedly been named as the cause of the absolutely open competition that exists in the shoe manufacturing business throughout the United States.[1]

"This industry," says the Massachusetts Commission on the Cost of Living, "is one of the few great lines of industrial enterprises in the United States in which the trust form of control has not made headway."[2]

X

"Started under conditions the most favorable to serve the public of probably any in the field of industry," as Mr. Brandeis says in referring to the United Shoe Machinery Company, "managed by the men who had made the greatest success of any in the shoe-machinery business . . . . by the men who were the ablest, the hardest workers, and in a certain sense, the farthest seeing of all those engaged in the business"[3] (among whom, it should be added, was Mr. Brandeis himself),[4] the United Shoe Machinery Company is, nevertheless, today, Mr. Brandeis' familiar illustration of the "inefficiency incident to monopoly."[5] Mr. Brandeis says:

> There has been a cessation in the shoe machinery business—a cessation of advance. Europe has gone ahead. You will find exactly the same thing in shoe machinery. Germany has gone ahead in invention. Why? Because of the various competing demands on invention. There is no room for any American inventor in these things. Not merely do they control patents but they discourage invention, because there is no market for the inventor, because there is not any chance for the capitalist to go ahead and do things. He has

[1] See House Judiciary Committee Hearings, January 26, 27, and February 19, 1912, pp. 112, 115; February 20, 21, 22, and March 1, 1912, pp. 15, 16, 48; Senate Interstate Commerce Committee Hearings, January 13, 15, and 16, 1912, Part XXI, p. 1859.

[2] *Report of Massachusetts Commission on the Cost of Living*, 1910, p. 156.

[3] Senate Interstate Commerce Committee Hearings, December 14, 15, and 16, 1911, Part XVI, p. 1160.

[4] Senate Interstate Commerce Committee Hearings, January 17, 18, 19, 1912, Part XXII, p. 1957.

[5] Senate Interstate Commerce Committee Hearings, December 14, 15, and 16, 1911, Part XVI, p. 1160.

so discouraging an outlook, with this huge, powerful organization, with all the money in the business against him, that the capitalist will put his money somewhere else, and the inventor will either put his brain somewhere else, or what is most common of all, he will not utilize it at all for the purposes for which it otherwise would be utilized.[1]

The Department of Commerce and Labor of the United States has recently investigated the shoe and leather trade in Europe, and has found that neither Germany nor any other country of Europe has "gone ahead in invention" of shoe machinery.

Prior to 1889, when the American Goodyear machines were first introduced into Germany, the boot and shoe industry was of comparatively small importance. At that time, other shoemaking machines of American origin were used, such as the American heeling and finishing machines and the McKay sole-sewing machine, but they were not very numerous.[2]

From 1909 to 1910, however, the quantity of machinery for the shoe and leather industries imported into Germany from the United States increased from 626,340 pounds to 691,240 pounds; while the quantity imported into Germany from the United Kingdom declined during the same years from 150,700 pounds to 144,100 pounds.[3] The report continues:

It is difficult to state even approximately the proportion of shoemaking machinery supplied to German manufacturers by the German United Shoe Machinery Company (affiliated with the United Shoe Machinery Company, of Boston, Mass.), and competing shoe-machinery concerns. It is safe to state, however, that by far the larger part of equipment is furnished by the German United Shoe Machinery Company. The well-known Maschinenfabrik "Moenus" A. G., Frankfort-on-the-Main, originated from the firm of Webber & Miller founded in 1862. . . . . Being a purely German concern, it does a large business, especially in the government's military workshops. It copies practically everything it can of American invention in shoemaking machinery, and also manufactures copies of American tanning machinery. . . . . The Atlas Werke, Leipzig, originally copied the Eppler welt machines, but various difficulties in connection with the construction of the machines were experienced; and I understand the Eppler system has since been dropped, and

[1] House Patent Committee Hearings, Part 18, May 15, 1912, p. 10.

[2] "Shoe and Leather Trade in Germany," Special Agents Series No. 50, Department of Commerce and Labor, 1912, p. 7.

[3] *Ibid.*, p. 8.

that copies of the old Goodyear welter and stitcher are now being manufactured. . . . . Keats Maschinen Gesellschaft, Frankfort-on-the-Main, is probably one of the oldest shoe-machinery firms, but, I am told, it is rapidly losing its hold on the business in this country. Adrian & Busch, Oberursel, manufacture a welter and stitcher which finds some sale. They also manufacture copies of a number of American accessory machines for shoemaking. . . . . The cost of the machinery manufactured by the firms mentioned is less than that of the same furnished by the German United Shoe Machinery Company, but the relative efficiency is also correspondingly less.[1]

The Department of Commerce and Labor reported upon the United Kingdom:

None of the competing firms produces the complete factory plant put out by the British United Shoe Machinery Company, and it is probable that the share of installed machinery now held by these competing firms is approximately 20 per cent, leaving practically 80 per cent of the equipment to be furnished by the British United Shoe Machinery Company.[2]

Similar conditions were found in France:

The shoemaking machinery installed in French factories is largely supplied by the United Shoe Machinery Company of France, which is affiliated with the United Shoe Machinery Company of Boston. In competition with this equipment are machines of French, English, and German origin, which, combined, constitute about 25 per cent of the total equipment.[3]

XI

Substantially the same conditions were found in all the other countries of Europe.

In Denmark:

Of the 38 factories in the country 12 are equipped entirely with American machinery. . . . . In every instance where it was possible to obtain information on the subject it was stated that American shoemaking machines give better satisfaction in all respects than like machines of any other country. In factories in which American machines have replaced competing equipment, lower working cost has invariably resulted without reduction in wages.[4]

[1] "Shoe and Leather Trade in Germany," Special Agents Series No. 50, Department of Commerce and Labor, 1912, pp. 8–9.

[2] "Shoe and Leather Trade in the United Kingdom," Special Agents Series No. 49, Department of Commerce and Labor, 1912, p. 8.

[3] "Shoe and Leather Trade in France and Switzerland," Special Agents Series No. 57, Department of Commerce and Labor, 1912, p. 8.

[4] "Shoe and Leather Trade in Scandinavia," Special Agents Series No. 63, Department of Commerce and Labor, 1912, pp. 7–8.

In Norway:

There are 13 shoe factories in Norway equipped throughout with American machinery and 17 using machines of other origin.[1]

In Sweden:

The factory buildings, in general, are well constructed . . . . with the machinery installed after the American system. . . . . Sweden has at present 56 boot and shoe factories, 32 of which are equipped throughout with American machinery.[2]

In Italy:

The industry developed gradually until about a year ago, when the lease system for shoe machinery was introduced by the United Shoe Machinery Company of Italy (affiliated with the United Shoe Machinery Company). The lease system resulted in this country, as elsewhere, in the installation of machinery by many small manufacturers who were not in a position to do so previously because of lack of funds, while those possessing a few machines were enabled to complete the equipment of their plants. . . . .

American shoemaking machinery was not introduced into Italy to a considerable extent until 1906. It may be safely stated that at present 90 per cent of the entire equipment of Italian shoe factories is furnished by the United Shoe Machinery Company of Italy. Competition is principally met in machines of German manufacture, both the Moenus and Keats houses maintaining branches in Milan. One or two Italian shoe factories are equipped with French machines, and one with English machinery. Since the introduction of the lease system by the American Company, competing concerns have constantly lost ground, as the trade of the largest manufacturers, who have now adopted the American leased machines, was formerly in the hands of competitors. The change of equipment has proved very profitable, as it is conceded by Italian manufacturers that a shoe can be made better and more cheaply on American machines than on any other. The proportion of equipment furnished by competing companies is approximately as follows: English, 1 per cent; French, 3 per cent; German, 6 per cent; American, 90 per cent.

Competing machines are generally imitations of American equipment. The cost of machines similar to those sold by the American company is lower, but efficiency corresponds to the price; for lines corresponding to leased American machines, the prices asked are accordingly higher. No competing European company has yet put out as full and complete a line of shoemaking machinery as the United Shoe Machinery Company.[3]

[1] *Ibid.*, p. 11. [2] *Ibid.*, p. 15.

[3] "Shoe and Leather Trade in Italy and Austria-Hungary," Special Agents Series No. 70, Department of Commerce, 1913, pp. 5, 6.

In Austria-Hungary:

American machines make up by far the larger part of the factory equipment in this country.[1]

In Russia:

The quantity of boots and shoes manufactured in Russia by machinery is increasing rapidly, and the larger part is made on American machines. The use of machinery of American origin began in 1899 and of the equipment now installed in the 49 factories about 60 per cent is American, 30 per cent German, and 10 per cent French.[2]

In Belgium:

The larger proportion of the shoemaking machinery used in Belgium is furnished by the United Shoe Machinery Company. . . . . Of the 120 factories manufacturing by machinery, 55 may be called complete plants. Of these, 33 use only machines of the United Shoe Machinery Company, 12 use both American and European machines, and 10 use only European machines. Of the 65 manufacturers who have an incomplete equipment, 8 use no other machines than those of the United Shoe Machinery Company, 19 use both American and European machines, and 38 use only European machines.[3]

In Spain:

Ninety per cent of the machinery now in actual use is American.[4]

European shoe manufacturers, the United Shoe Machinery Company declares, get the United Shoe Machinery Company's machines upon no better terms than do American manufacturers:

There is no truth in the statement that European shoe manufacturers get the machines of the United Shoe Machinery Company on better terms than American manufacturers can get them. The average royalty per pair of shoes of the same quality has never been lower in Europe than in the United States. There is no appreciable difference between the leases which European and American manufacturers sign; yet the United Shoe Machinery Company, pursuing abroad the same business methods as at home, has done a greatly increasing business in open competition with the so-called free machinery which its critics here profess to favor. European manufacturers are constantly replacing

[1] "Shoe and Leather Trade in Italy and Austria-Hungary," Special Agents Series No. 70, Department of Commerce, 1913, p. 33.

[2] "Shoe and Leather Trade in Russia," Special Agents Series No. 68, Department of Commerce and Labor, 1913, p. 3.

[3] "Shoe and Leather Trade in Belgium, Spain, and Egypt," Special Agents Series No. 73, Department of Commerce and Labor, 1913, pp. 5–6.

[4] *Ibid.*, p. 14.

their free machinery with machinery obtained from the United Shoe Machinery Company under lease conditions, because, like American manufacturers, they know they can thus get better machines, better service, and better terms than in any other way.[1]

XII

While still a director of the United Shoe Machinery Company Mr. Brandeis described its encouragement of invention:

It is absolutely essential that there should be constant development, and that we should be able to introduce new machines or to apply to those outstanding the improvements which are made. And those improvements are very numerous. For instance, the number of patents which have been used by this company, or which are now pending and which we expect to obtain, in these nine years is over 1,000. Now it is said that the inventor has no chance. It is absolutely untrue. Although we have now 35 men who are working all the time on nothing else except attempting to improve our machines, and the concern has spent $150,000 a year in attempts to improve its machines—I mean not in manufacturing, but this is an experimental expense, a patent expense, and inventor's expense—although that is true, we have bought more patents from other inventors in these years than we have developed in our own establishment with all that expense. We have probably spent during this period $1,000,000 in improvements and inventions on this machinery, and yet we have bought from others more patents than we have developed ourselves.[2]

What the United Shoe Machinery Company has since done to improve shoe machinery has been described by its president:

During the year [ending March 1, 1911] the company brought in from shoe factories over 4,000 of its machines which were broken up and thrown on the scrap heap in order that they might be replaced with machines embodying the latest improvements—an expense which the company assumes under its present system of doing business but which would otherwise have to be borne by the shoe manufacturers.[3]

During the fiscal year of 1912–13, the company placed on the market thirty new types of machines as follows: three in the pulling-over department; one in the lasting department; seven in the Goodyear department; two in the heeling department; twelve in the general department; two in the eyelet department; three in the fitting-room department. These types are either

[1] House Judiciary Committee Hearings, February 20, 21, 22, March 1, 1912, p. 28.

[2] House Judiciary Committee Hearings, January 26, 27, February 19, 1912, pp. 122–23.

[3] House Judiciary Committee Hearings, January 26, 27, and February 19, 1912, p. 192.

improvements of machines previously in use or, as in several instances, are entirely new machines.[1]

Specific illustrations of the company's enterprise have been cited by the company's representatives:

The most conspicuous illustration of this phase of their activities is this Rex pulling-over machine, which cost, taking into account the money expended upon it by the original owner, and money expended by this company, $1,000,000 before it could be placed upon the market, and it is now leasing it at three-eighths of a cent a pair. . . . . There were four machines in connection with that: first, the Rex pulling-over machine; second, the Rex toe-shellacking machine; third, the Rex assembling machine; and fourth, the Rex upper-finish machine. . . . . Nobody knew whether it would ever work and produce results until the last dollar was expended, and the whole $1,000,000 was at the hazard of a successful result. . . . . The expenditures by this company to develop other necessary machines, that have cost from $150,000 to $175,000 and to $200,000, have been solely for the purpose . . . . of producing increased efficiency, and adding ultimately to the return that the company would receive for the 300 machines that it is either selling or leasing to manufacturers, at the same time necessarily producing an efficient result to the factories and to the wage-earners in the industry, and also at the same time producing results to the consumer.[2]

What these improvements signify in shoe manufacture has been explained by practical shoe manufacturers:

We have had a machine put in quite recently that they have been working on about 11 years. This is a pulling-over machine. We pay three-eighths of a cent a pair royalty on it, and it saves us 2 cents a pair in lasting our shoes. Now, I can have any of these machines I want. I can have the lasting machine and not have the welter, or I can have the welter and not have the lasting machine if I want it, or I can have the nailer and not have the welter if I want it. I can have every one or all or none of them just as I prefer.[3]

We put in about three months ago what is called a "puller-over machine." It is a very complicated machine for doing what seems to be a very simple operation. The pulling-over means the placing of the upper, which is the leather part of the shoe, over the last and having this machine pull this upper over the last in the proper place and position on the last as it should be when the shoe is completed, and driving a few tacks in just to hold it preparatory to

[1] *Report of the President to the Annual Meeting*, 1913, p. 7.

[2] House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, pp. 158–59.

[3] House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, p. 79.

lasting it; and the lasting consists of putting through another machine where it is tacked down all around securely preparatory to sewing on the sole or welting, if it is the case of a welt shoe. This puller-over machine is a machine that has been evolved and has been for several years being made to the point where it would do the work. That work was formerly done by hand.

The machine had not been out very long until they made an improvement on it, as they have done with lots of their machines. Their policy always has been—and there has been no question about it, they have never deviated from it, it has been upon their own initiative, and has not been from any solicitation on our part—that we could have a new machine whenever we desired it. We would simply make application for it, and they would furnish us with a new machine. They send the new machine to us, and we send back the old machine. We pay the freight on both the machines, and that is all the cost there is to us for the improved machine. Then when the machine arrives and we get ready to have it set up . . . . we wire into Chicago for a man, and he comes the next morning . . . . and sets the machine up and gets it in running order, teaches an operator to run it, and stays there until he has taught him.[1]

To the charge that it has retarded invention, the company has replied:

The United Shoe Machinery Company has spent all the way from $250,000 to $750,000 in experiment and development of new machines every year since it was formed. It has made workable over 100 different new machines, some of which perform operations formerly performed by hand and all of which are far better than those formerly in use. Taken in connection with reduction in royalties, shoe manufacturers by their use effect a saving of nearly 9 cents in the cost of making a pair of Goodyear welt shoes, or nearly double the royalty now paid. A greater number of practical patents in shoe machinery have been made effective in the past 12 years than in any other period of equal length since shoe-making began. One machine alone cost the company years of time and over $1,000,000 in money before it would work. It would not be in the shoe factories of Massachusetts today if it had been left to an individual inventor to make it go.[2]

XIII

On February 25, 1911, under the provisions of the Canadian Combines Investigation Act, an investigation board was appointed to report upon the United Shoe Machinery Company of Canada. To test the validity of the act, an appeal was taken from the order

[1] Senate Interstate Commerce Committee Hearings, January 13, 15, 16, 1912, pp. 1854–55.

[2] House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, p. 27.

of appointment, but eventually the appeal was dismissed by the Court of King's Bench, Appeal side.[1]

Meanwhile, in September, 1911, the Department of Justice of the United States procured two indictments in the District of Massachusetts against the officers of the United Shoe Machinery Company for violation of the Sherman anti-trust act.[2] Demurrers to these indictments were filed in behalf of the defendants. In December, 1911, while these criminal proceedings were pending, the department filed a bill of complaint in the same district against the United Shoe Machinery Company, praying for the dissolution of the company as a combination in restraint of trade and a monopoly in violation of the Sherman anti-trust act.[3]

On March 2, 1912, the District Court quashed the indictments, except for a single count in one indictment. Judge Putnam, giving the opinion of the Court, said:

> The history of the law [i.e., the Sherman anti-trust act] . . . . is in a continuous state of development, and will undoubtedly so remain for an indefinite period. This makes it practically so indefinite, both under the statute in question and aside from it, that criminal prosecutions like this at bar impose great hardship, by terrorizing very considerable portions of the community who have acted honestly, through the possible peril of enormous fines, and terms of imprisonment even for very many years. Under the circumstances, we are unable to understand why the Department of Justice directs, and the President permits, criminal proceedings like this until, in the particular case, the practical application of the statute has been settled by civil proceedings, in view especially of the fact that the flexible methods of bills in equity are capable of exploiting all doubtful questions much more thoroughly, and with more just results, than criminal proceedings. . . . .
>
> This combination, then formed [i.e., the organization of the United Shoe Machinery Company on February 7, 1899], was purely an economic arrangement, not in violation of any rule in restraint of trade at common law, or which has been announced by the Supreme Court, as is shown by an examination of all the cases decided by that tribunal.
>
> It seems to be impossible to deny that the combination of various elements of machinery, all relating to the same art and the same school of manufactures,

[1] *Canada Gazette*, October 26, 1912, p. 1319.

[2] *United States* v. *Winslow, et al.*, U.S. D.C. District of Massachusetts, February, 1911 term.

[3] *United States* v. *United Shoe Machinery Company, et al.*, U.S. C.C. District of Massachusetts.

for the purpose of constructing economically and systematically, and of furnishing any customer the whole, or any part, of an entire system, is in strict and normal compliance with modern progress to limit the manufacture and supply to certain details, as, for example, steam gauges, wheels for railroad cars, or axles for steam locomotives, without furnishing anything else, although, by so doing, the manufacturer of details becomes able to command the entire market. It is absolutely normal, and in accordance with the rightful demand of the market, for any dealer to supply mere details or an entire system of machinery, according as his customers may desire. . . . .

The leases referred to here are the same as those approved in the appeal of *United Shoe Machinery Company* v. *Brunet*, (1909) App. Cas. 330, where the Privy Council decided that the whole combination exhibited here, including leases, was valid. Notwithstanding the decisions of the Privy Council are not authoritative, even in England, like those of the King's Bench, yet the members of the Judicial Committee who sat on this appeal were Lords MacNaughton, Atkinson, Collins, and Gorell, making an exceedingly strong court, hardly to be surpassed in England. Therefore we would be free to follow it if the background was the same here as there. But it is not. . . . . We can easily see that the result of the trial of the issues of fact might remove the apparent illegality arising from these leases; but the case is not so clear that we can sustain the demurrer with reference to the first count of indictment 114. Therefore on the demurrer we hold the second count of indictment 114 invalid, and the first count thereof valid, unless on a trial it appears that the leases we refer to are found to add no obnoxious feature.[1]

On October 18, 1912, two of the members of the Canadian Investigation Board reported that "the United Shoe Machinery Company of Canada is a combine and . . . . competition in the manufacture, production, purchase, sale, and supply of shoe machinery in Canada has been and is unduly restricted and prevented."[2] The third member of the commission dissented from his colleagues on the ground that competition had not been eliminated and that "no attempt has been made to increase the royalties or otherwise act oppressively, but on the contrary every effort has been made to constantly improve the machinery, to assist new manufacturers in starting business, and to satisfy its customers generally."[3]

On February 3, 1913, the Supreme Court of the United States

[1] *United States* v. *Winslow, et al.*, 195 Fed. 578, 584, 592, 594.

[2] *Canada Gazette*, October 26, 1912, p. 1323.

[3] *Ibid.*, pp. 1323, 1324.

unanimously affirmed the decision of the District Court upon the demurrers to the indictments above mentioned.[1] The opinion of the Supreme Court accompanying this decision has already been quoted.

In February, 1913, the Department of Justice of the United States filed a bill of complaint in the District of New Jersey to abrogate a contract made by the United Shoe Machinery Company and the Keighley Company on the ground that the contract was in violation of the Sherman anti-trust act.[2] This was a contract settling certain patent infringement suits and authorizing the United Shoe Machinery Company to manufacture and lease the Keighley inseam trimmer upon a commission basis.

XIV

The United Shoe Machinery Company's business has already shown the effect of these legal proceedings.

The president of the company has declared:

> The total number of machines turned out at the factory has not increased in the proportion of former years, because the company has suspended the system by which it formerly gave every shoe manufacturer the option of either buying outright machines in its general department or leasing them at a nominal rental, the condition of lease being that the machine be used only on shoes which had been operated on by certain other of the company's machines. This method of leasing, as was stated in the annual report last year, has been discontinued on account of the contention in the government suits against the company that it was in violation of the Sherman law. Shoe manufacturers, therefore, no longer have the option of leasing the general-department machines but have to buy them outright, or go without them altogether; and consequently many shoe manufacturers of limited capital have gone without them rather than make the investment required for their purchase, while others who have been planning to go into the shoe manufacturing business have abandoned the idea rather than tie up their money in machinery. . . . . Under present conditions we can no longer equip small factories with new and up-to-date machines of the general department from which no adequate direct pecuniary return is to be expected, but, thanks to a machinery equipment in most factories which up to the present time has enabled them to keep abreast

[1] *United States* v. *Winslow*, 227 U.S. 202.

[2] *United States* v. *United Shoe Machinery Company, et al.*, U.S. D.C. District of New Jersey.

of the demands of trade, the output of shoes has steadily increased and the revenue of the company has increased accordingly. That more shoe manufacturers have not been put to great expense or serious inconvenience as yet as a result of this change is due to the fact that for many years the company, with a view to increasing the effectiveness of its principal leased machines, has supplied from its general department a constantly increasing number of miscellaneous machines for the use of which the manufacturers have not been required to make any material investment; and their factories are at present so thoroughly equipped that they have not yet found it necessary to replace worn-out machines or add substantially to their equipment in machinery of this character.[1]

Before these legal proceedings were begun against the United Shoe Machinery Company, the company had begun to put in operation a plan of distributing among its lessees of Goodyear welt-sewing, outsole-stitching, and turn-sewing machines common stock of the corporation purchased in the open market from a fund created by setting aside a percentage of the amounts received from such lessees during the period of three years beginning January 1, 1910. The number of lessees among whom this stock was distributed was about 1,100, and 32,975 shares of stock were purchased for distribution at an average price per share of $52.53. On December 31, 1912, however, the company announced the discontinuance of the plan:

This decision is due to the proceedings, both civil and criminal, instituted by the Department of Justice, and by the attempts of other persons to secure legislation, declaring illegal those methods of doing its business by which the company has been able to furnish its lessees with the best machines, as well as many new machines, at a constantly diminishing expense to the lessees, and at the same time with such security to the company that its leased machines shall be used only under proper conditions and in connection with machines which will efficiently and continuously co-operate with them to the advantage of both the company and its lessees, and to an extent which will insure to the company a proper return on its investment. It must be plain that, until the company can be definitely assured that its settled system of doing business, which it believes has been not only to the mutual benefit of the company and its lessees, but of equal advantage to the consuming public and to shoe operatives, is not to be disrupted and prevented, the company is unable further to develop its established policy and to extend the benefits thereof to its lessees.[2]

[1] *Report of the President to the Annual Meeting*, 1913, pp. 6–7.

[2] *Ibid.*, pp. 9–10.

The company has already begun to modify its Canadian leases in obedience to the findings of the Canadian Investigation Board.[1]

XV

Many shoe manufacturers have expressed their apprehension of the outcome of these legal proceedings against the United Shoe Machinery Company. A Massachusetts manufacturer has declared: "We cannot see where this disintegration of the company will benefit us any."[2] A Pennsylvania manufacturer has stated: "I very much question whether the standard of service would be maintained if the United Shoe Machinery Company were to be dissolved."[3] A Massachusetts manufacturer has declared: "We fully believe that if the dissolution of the United Shoe Machinery Company be completed, or if the principle of leasing machines be abandoned, shoe manufacturers of the United States would be greatly handicapped, as compared with the present system they are now operating under."[4] Another Massachusetts manufacturer has stated: "We believe that the disintegration of the United Shoe Machinery Company, if attempted, would be hazardous to the shoe manufacturers, and the results so uncertain that such measures ought to be discouraged."[5]

The effect upon the retail price of shoes has been discussed by several manufacturers. A Wisconsin manufacturer has stated: "If the company were disintegrated the price of shoes at retail would without question cost more."[6] An Ohio manufacturer has

[1] *Report of the President to the Annual Meeting*, 1913, p. 13.

[2] Letter of Eagle Shoe Manufacturing Co., Lynn, Mass., *Boston News Bureau* December 1, 1911; House Judiciary Committee Hearings, February 10, 21, 22, and March 1, 1912, pp. 21–30.

[3] Letter of T. H. Eisenhuth Co., Williamsport, Pa., *Boston News Bureau*, November 13, 1911; House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, pp. 21–30.

[4] Letter of Pratt Shoe Co., Natick, Mass., *Boston News Bureau*, November 18, 1911; House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, pp. 21–30.

[5] Letter of Arthur A. Williams Shoe Co., Holliston, Mass., *Boston News Bureau*, December 1, 1911; House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, pp. 21–30.

[6] Letter of Columbia Shoe Co., Sheboygan, Wis., *Boston News Bureau*, November 11, 1911; House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, pp. 21–30.

declared: "We believe that disintegration of the company would be followed by increased cost of machinery to the manufacturer, and, of necessity, prices of shoes at retail would have to be raised."[1]

Small shoe manufacturers have apparently been the most apprehensive: A Massachusetts manufacturer has declared: "We believe that the disintegration of this company would be a very serious blow to the smaller manufacturer like us, doing a business of $100,000 to $150,000 a year."[2] A Pennsylvania manufacturer has stated: "Should the courts find the United Shoe Machinery Company has been doing business contrary to law, and disintegrate the company, it would not, in the writer's opinion, be a matter of more than ten years before the shoe manufacturing business would be in the hands of a few (say, ten or a dozen concerns), as these concerns, some with a capital of $20,000,000, or more, could and would buy all or any machines that would advance their interests. The small or middle-sized shoe manufacturing concerns, by reason of not being able to finance their machinery account, would be forced to close up; fully 60 per cent of the shoe manufacturing concerns would be in this class. The larger concerns, having less competition and more demand, would advance prices on all kinds of footwear. There would be practically no limit in the advance of price because of their complete control of the situation."[3] A Massachusetts manufacturer has declared: "As for myself, I believe that the United Shoe Machinery Company is the only branch of the shoe industry left that protects the small manufacturer, and that the same elements that are trying to dissolve this company are the

[1] Letter of Wolfe Bros. Shoe Co., Columbus, Ohio, *Boston News Bureau*, November 18, 1911; House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, pp. 21–30; to the same effect see also the letter of Estabrook-Anderson Shoe Co., Nashua, N.H., *Boston News Bureau*, December 6, 1911; letter of Emerson Shoe Co., Rockland, Mass., *Boston News Bureau*, November 16, 1911; House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, pp. 21–30.

[2] Letter of Trevett & Berry, Lynn, Mass., *Boston News Bureau*, November 18, 1911; House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, pp. 21–30.

[3] Letter of Callahan & Meyers, Allentown, Pa., *Boston News Bureau*, November 14, 1911; House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, pp. 21–30.

ones that have caused the change in terms of leather, which is in the favor of the large manufacturer, and if they could have succeeded in getting *their* royalties *lower* than the small manufacturer this never would have been put before the federal government. My belief is that the same elements are trying their best to get the shoe business as near a trust as possible, and if they should succeed in disintegrating the company the small manufacturers have lost their best friend in the shoe business, and if we do not have the small manufacturers where will we get the large manufacturers later?"[1] These views, apparently, have been shared by many other shoe manufacturers.[2]

Whether the company's "tied" leases exceed its patent rights, whether the company has violated the Sherman anti-trust act, and how shoe manufacturers can continue to obtain efficient and satisfactory shoe production service if the company should be disintegrated; or whether full judicial examination of the company's affairs will eventually confirm the impression which the United States Supreme Court derived from the indictment in the criminal proceeding, that "on the face of it, the combination was simply an effort after greater efficiency,"[3] are a few of the questions which are raised in these legal proceedings. Pending all this litigation, the

[1] Letter of Luke W. Reynolds, Brockton, Mass., *Boston News Bureau*, November 13, 1911; House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, pp. 21–30.

[2] See Senate Interstate Commerce Committee Hearings, January 13, 15, 16, 1912, Part XXI, pp. 1857–59; *Congressional Record*, May 12, 1911, p. 1166; House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, pp. 4–12, 35–42, 64, 104, 121, 122; to the same effect see also letter of Lounsbury & Soule Co., Stamford, Conn., *Boston News Bureau*, November 21, 1911; letter of Hodsdon Manufacturing Co., Portland, Me., *ibid.*, December 1, 1911; letter of Dixon-Bartlett Co., Baltimore, Md., *ibid.*, November 17, 1911; letter of Brennan Tannery and Shoe Manufacturing Co., Upland, Cal., *ibid.*, December 2, 1911; letter of Charles D. Griffith Co., Denver, Colo., *ibid.*, November 13, 1911; letter of Blum Shoe Manufacturing Co., Dansville, N.Y., *ibid.*, November 20, 1911; letter of J. F. Cloutman & Co., Farmington, N.H., *ibid.*, November 20, 1911; letter of Heywood Boot and Shoe Co., Worcester, Mass., *ibid.*, November 24, 1911; House Judiciary Committee Hearings, February 20, 21, 22, and March 1, 1912, pp. 21–30.

[3] *United States* v. *Winslow*, 227 U.S. 202, 217.

discussion of these questions nust necessarily be deferred. Enough has been said, however, to show that the determination of these questions will be a matter of the highest significance in the economics of industrial organization.[1]

RICHARD ROE

[1] The opportunity afforded by the United Shoe Machinery Company to small, new, and struggling manufacturing concerns, the growth and prosperity of the shoe manufacturing industry since the organization of the company, the widespread satisfaction with the company's methods expressed by shoe manufacturers in the Boston News Bureau's canvass above mentioned, and the bearing upon this situation of the proceedings now pending against the company are discussed in "The Conservation of Business Opportunity," a paper read by Gilbert H. Montague before the Western Economic Society at Chicago, March 2, 1912, published in the *Journal of Political Economy*, XX, 6 (June, 1912), pp. 613, 621–26.

A WATERWAY BETWEEN CHICAGO AND ST. LOUIS

A STUDY IN FREIGHT RATES

The construction of a waterway between the Great Lakes and the Gulf of Mexico has been advocated with vigor by various organizations within the last half-dozen years, and considerable public attention has been given to the several schemes proposed. The problems of construction, and to some extent those of traffic development, have been set forth by special boards of engineers and commissions.[1] The writer has presented a study of the freight rates and freight traffic by rail and by water on and parallel to the proposed route to the readers of the *Journal of Political Economy*, in the June, July, and October numbers of 1912.[2] In that study a comparison of rail with boat rates on the route south of Peoria, Illinois, was made; but no comparison of rates between Chicago and points on the route was possible because there were no boat rates published, although there was an open water route between Chicago and the Gulf of a minimum depth of 4½ feet. That route is still open, and no boat rates are yet published between Chicago and points on it;[3] hence no comparison of boat with rail rates between Chicago and points on the route can be made even now, but a comparison of rail rates parallel to the upper part of the route with rail rates along the lower Mississippi River does seem pertinent at this time.

Prior to the appearance of the articles mentioned above, a special board of government engineers reported in favor of a waterway of a minimum depth of only eight feet between Chicago and St. Louis. Excerpts from this report are given below:

. . . . If the waterway is to be used by vessels capable of navigating the ocean and the Great Lakes, it should be given a depth sufficient for the eco-

[1] *The Illinois Waterway Report*, 1909, Internal Improvement Commission of Illinois; H. Doc. 263, 59th Cong., 1st sess.; H. Doc. 50, 61st Cong., 1st sess.; and H. Doc. 1374, 61st Cong., 3d session.

[2] Also reprinted under title of *The Lakes-to-the-Gulf Deep Waterway*.

[3] There are rates for lighterage and towage on the Chicago River and the Sanitary and Ship Canal.

nomic carriers above described, and this, in the opinion of the Board, should be not less than 24 feet; but if it is to be constructed for vessels adapted to river traffic, economic navigation does not require its depth to exceed 9 feet. The depth of 14 feet, so strenuously insisted upon by certain advocates of the waterway, is greater than necessary for river navigation, and entirely insufficient for either lake or ocean vessels. The only canals of 14 feet depth of which the Board has knowledge are the Canadian canals along the St. Lawrence River and the Weliand Canal connecting Lakes Erie and Ontario, which were constructed in the infancy of lake navigation. Little use is now made of them for transportation to and from Chicago. This depth has not been adopted by any other nation, nor retained by Canada in recent projects.

Considered as a business investment, a waterway of even moderate depth from Chicago to the Gulf is still more or less experimental. There is already maintained under existing projects a channel of 9 feet depth from New Orleans to Cairo, and of 8 feet from Cairo to St. Louis, and of at least 4½ feet from St. Louis to Chicago via the Illinois and Michigan Canal. . . . . As a channel of 8 feet depth is now maintained from Cairo to St. Louis, and can be extended from St. Louis to Utica at relatively small cost, business caution dictates that a waterway of this depth be obtained and tested before entering upon enormously expensive projects of questionable utility.[1]

Recently there appears to be a consensus of opinion among waterway advocates, and probably a majority of the members of Congress, that at least the first work on the proposed Lakes-to-the-Gulf Waterway should be the construction of an eight-foot channel between Lockport, Illinois, and St. Louis, Missouri.[2] No attempt to construct a 14-, 20-, or 24-foot channel on the lower part of the route seems likely to be made in the immediate future. If events do take the course that now seems likely, the upper part of the route (between Chicago and St. Louis) should receive special attention; and for this reason a comparison of rail rates parallel to the lower part of the route with rail rates along the upper part of the route is set forth in this brief article. The rail rates parallel to the lower part of the route are water-forced rates. Are they lower than the present rail rates parallel to the upper part of the route? If not, is it probable that the proposed waterway of the upper part of the route will force a reduction in the parallel rail rates? The comparison is first made, and then its significance is discussed.

[1] H. Doc. 1374, 61st Cong., 3d sess., pp. 6–7.

[2] The present delay in the construction work seems to be due to the difficulty of an agreement between the national government and the state of Illinois.

The route of the proposed waterway between Chicago and St. Louis is within the state of Illinois,[1] except that part of it lying between Grafton, Illinois, and St. Louis, Missouri. The Illinois distance rates govern freight traffic by rail over the entire route. Hence a comparison of rail rates parallel to the proposed waterway with rail rates on the Mississippi below St. Louis is a comparison of the Illinois distance rates with specific rates parallel to the lower Mississippi River.

The Public Service Commission of Illinois prescribes a freight classification and both class and commodity distance rates. One of the difficulties in a comparison of class rates in Illinois with those parallel to the Mississippi below St. Louis is that the Illinois Classification applies in Illinois and the Southern Classification on the lower Mississippi. Under the Illinois Classification, classified freight is assigned to one of the ten classes or to some multiple of the first class. The first-class rate is the highest of the scale, and each succeeding class rate is lower than the preceding. In contrast, under the Southern Classification there are thirteen regular classes; and class rates do not descend regularly throughout the scale. This point is made clear by the rate scales shown below.[2]

From St. Louis, Mo., to	In Cents per 100 Pounds						
	Class	1	2	3	4	5	6
Memphis, Tenn.	Rate	65	50	45	35	30	25
New Orleans, La.	Rate	90	75	65	50	40	35

From St. Louis, Mo., to	In Cents per 100 Pounds						Per Bbl.
	A	B	C	D	E	H	F
Memphis, Tenn.	15	26	15	12	20	42	30
New Orleans, La.	25	38	25	20	28	57	45

The difficulties are not so serious, however, as to prevent a valid comparison. The number of classes in the southern scale may for this comparison be reduced to ten, the same number as

[1] See *Journal of Political Economy*, XX, 6 (June, 1912), p. 542.

[2] Mississippi River Points' Tariff No. 6, issued by Agent M. P. Washburn.

there are in the Illinois Classification. Classes E and F are taken care of in the commodity tables. Class F is flour and Class E is beer.[1] Class H is confined to whiskey and domestic wines and brandies in barrels and in iron drums when shipped in carloads. These commodities are assigned to the fourth class in the Illinois Classification, and since this class is near the middle of the scale it may be disregarded without materially affecting the general average of the scale. By these eliminations a scale of ten classes, from 1 (the highest) to D (the lowest) remains, and may be compared with the ten classes of the Illinois Classification. The descent from the first class to Class D is not regular even after the eliminations, but it is possible to make a comparison of the scales with sufficient approximation to accuracy.

The class rates applying from St. Louis, Missouri, to the points specified on the Mississippi are shown in Table I in comparison with the Illinois distance rates for the same distances. From St. Louis to Cairo, Illinois, the Illinois distance rates are applied; hence in this case, the river competition has not forced the class rates lower than the Illinois distance rates. This means that shippers between St. Louis and Cairo have no advantage over shippers between any other two points in Illinois that are the same distance apart as those two cities.

From St. Louis to all points specified beyond the limits of Illinois, the actual rates are higher than the Illinois distance rates on every class. And the specific rates are materially higher. From St. Louis to Memphis, for example, where there is a packet line actively competing for the traffic, the specific class rates are from 2 to 20 cents higher than the Illinois distance rates. From St. Louis to Helena, Arkansas, the specific rates are from 9 to 44 cents higher than the Illinois distance rates, from St. Louis to Greenville, Mississippi, from 8 to 41 cents, from St. Louis to Vicksburg, Mississippi, from 6 to 39 cents, and from St. Louis to New Orleans, from 6 to 34 cents. Moreover, the points used for comparison are the large towns at which water competition is strongest. The rates from St. Louis to points intermediate to those specified are usually materially higher than those given. The specific rates

[1] Flour rates are compared in Table II and beer rates in Table III.

given are the lowest water-forced rates in the Mississippi Valley, and even they are much higher than the Illinois distance rates. In some instances the Illinois distance rates are less than half the

TABLE I

CLASS RATES ON FREIGHT SOUTHWARD FROM ST. LOUIS, MISSOURI., COMPARED WITH ILLINOIS DISTANCE RATES

Class rates in cents per 100 pounds

From St. Louis, Mo., to		Miles	1	2	3	4	5	6	A 7	B 8	C 9	D** 10¶
*Cairo, Ill.	Specific	.152	36	29	22	18	14	14	13	11	8	8
	Illinois	.152	36	29	22	18	14	14	13	11	8	8
	Differential	....	0	0	0	0	0	0	0	0	0	0
†Fulton, Ky.	Specific	.201	66	57	47	37	28	24	23	27	23	17
	Illinois	.201	40	32	25	20	16	15	14	12	9	9
	Differential	....	26	25	22	17	12	9	9	5	14	8
‡Memphis, Tenn.	Specific	.305	65	50	45	35	30	25	15	26	15	12
	Illinois	.305	45	37	29	23	18	17	16	14	11	10
	Differential	....	20	13	16	12	12	8	9	12	4	2
‡Helena, Ark.	Specific	.338	90	75	65	50	40	35	25	31	25	20
	Illinois	.338	46	38	30	23	19	18	16	14	12	10
	Differential	....	44	37	35	27	21	17	9	17	13	10
‡Greenville, Miss.	Specific	.455	90	75	65	50	40	35	25	38	25	20
	Illinois	.455	49	41	33	26	20	20	18	16	13	12
	Differential	....	41	34	32	24	20	15	7	22	12	8
‡Vicksburg, Miss.	Specific	§525	90	75	65	50	40	35	25	38	25	20
	Illinois	.525	51	42	34	27	21	21	19	17	14	13
	Differential	....	39	33	31	23	19	14	6	21	11	7
‡Natchez, Miss	Specific	.546	90	75	65	50	40	35	25	38	25	20
	Illinois	.546	52	43	35	27	22	21	20	18	15	13
	Differential	....	38	32	30	23	18	14	5	20	10	7
‡Baton Rouge, La.	Specific	.671	90	75	65	50	40	35	25	38	25	20
	Illinois	.671	55	46	38	28	23	22	21	19	16	14
	Differential	....	35	29	27	22	17	13	4	19	9	6
‡New Orleans, La.	Specific	.701	90	75	65	50	40	35	25	38	25	20
	Illinois	.701	56	47	38	29	24	23	21	19	16	14
	Differential	....	34	28	27	21	16	12	4	19	9	6

* Illinois Central R.R. Tariff, I.C.C. No. A-7722.

† Illinois Central R.R. Tariff, I.C.C. No. 4776.

‡ Agent M. P. Washburn's Tariff, I.C.C. No. 86.

§ The Illinois Distance Table does not extend beyond 500 miles, but to complete the comparison to New Orleans the rates for the longer distances were computed on the same basis as for distances under 500 miles.

** Classes of the Southern Classification.

¶ Classes of the Illinois Classification.

specific rates. This is true, for example, of the third-, fourth-, fifth-, eighth-, and ninth-class rates from St. Louis to Helena, Arkansas. The class rates, then, are materially higher parallel to the lower Mississippi River than in Illinois for the same distances.

In comparing commodity rates there are only two important difficulties, namely: (1) comparison of the entire list of commodities is not usually advisable, and proper selection is not always easy; and (2) the minimum carload weights must be taken into consideration. In the comparison that is here made, the first difficulty has been largely overcome. The Illinois commission prescribes rates for the nine commodities shown in Table II, and all other commodities are governed by class rates when shipped within the state. The second difficulty has been met by stating the minimum carload weights in the headings and footnotes of the tables.

The comparison of the commodity rates prescribed by the Illinois commission with the rates on the same commodities from St. Louis to points specified is made in Table II. The points selected on the lower Mississippi are the same as those shown in Table I. In only four cases are the Mississippi Valley rates lower than the Illinois rates. Of course, the Illinois rates are commodity rates in every case, while the Mississippi Valley rates are commodity rates in more than half the comparisons but are class rates in other cases. Commodity rates are tabulated where such rates are in effect, and the class rates that apply on those commodities are incorporated in the table where no commodity rates are published.[1] Here again we find material differentials between the Illinois rates and those in the Mississippi Valley, and in only four of the eighty-one comparisons are the Illinois rates higher. Furthermore, the sum of these four differentials is only six cents, while in one of the other 77 cases alone the differential is 22 cents.

There is, however, one factor in the comparisons of Table II that makes that table not entirely conclusive evidence that commodity rates parallel to the lower Mississippi are higher than in Illinois. That table contains a comparison of all Illinois commodity

[1] The rates applicable in July, 1913, were tabulated. They were obtained through the courtesy of Mr. D. W. Longstreet, freight traffic manager of the Illinois Central Railroad.

TABLE II

COMMODITY RATES IN ILLINOIS COMPARED WITH SIMILAR RATES SOUTHWARD FROM ST. LOUIS, MISSOURI.—MINIMUM CARLOAD WEIGHT 24,000 POUNDS EXCEPT WHERE OTHERWISE SPECIFIED

Rates in cents per 100 pounds

From St. Louis, Mo., to		Miles	Wheat and Flour	Other Grains and Their Products	Pine Lumber in the Rough	Bituminous Coal	Horses and Mules	Cattle	Fruits and Vegetables*	Salt	Limestone for Fertilizer
Cairo, Ill.	Specific	152	9	8	7	5	12	11	10	9	4
	Illinois	152	9	8	8	5	12	11	10	9	4
	Differential	....	0	0	†† 1	0	0	0	0	0	0
Fulton, Ky.	Specific	201	17	16	13	**11	†21	‡24	24	§11	13
	Illinois	201	11	10	10	5	14	12	12	10	5
	Differential	....	6	6	3	6	7	12	12	1	8
Memphis, Tenn.	Specific	305	||11	||10	§15	9	†21	†17	22	§ 8	¶12
	Illinois	305	12	11	11	6	16	15	14	11	7
	Differential	....	†† 1	†† 1	4	3	5	2	8	†† 3	5
Helena, Ark.	Specific	338	||18	||14	§20	§17	†25	†21	30	§16	¶17
	Illinois	338	12	11	12	7	17	15	14	11	8
	Differential	....	6	3	8	10	8	6	16	5	9
Greenville, Miss.	Specific	455	||18	||16	§20	§17	†38	†31	30	§16	¶17
	Illinois	455	14	12	13	7	19	17	15	12	8
	Differential	....	4	4	7	10	19	14	15	4	9
Vicksburg, Miss.	Specific	525	||18	||16	§20	§17	†42	†31	30	§16	¶17
	Illinois	525	14	13	13	8	20	18	16	12	9
	Differential	....	4	3	7	9	22	13	14	4	8
Natchez, Miss.	Specific	546	||18	||16	§20	§17	†42	†31	30	§16	¶17
	Illinois	546	15	13	13	8	21	19	16	12	9
	Differential	....	3	3	7	9	21	12	14	4	8
Baton Rouge, La.	Specific	671	||18	||16	§20	§17	42	†31	30	§16	¶17
	Illinois	671	16	14	14	9	23	20	17	13	9
	Differential	....	2	2	6	8	19	11	13	3	8
New Orleans, La.	Specific	701	||18	||16	§20	§17	42	†31	30	§16	¶17
	Illinois	701	16	14	15	9	24	22	18	13	10
	Differential	....	2	2	5	8	18	9	12	3	7

* As described in Illinois Classification, Supplement No. 23, page 105. Carload minimum 20,000 pounds, except that on apples and pears the minimum is 24,000 pounds.

† Rate published per car with no minimum, reduced to cents per hundred on basis of 24,000 pounds.

‡ Minimum carload weight 20,000 pounds.

§ Minimum carload weight 30,000 pounds.

|| Minimum carload weight 26,000 to 90,000 pounds.

¶ Minimum carload weight 40,000 pounds.

** Minimum carload weight is the capacity of the car.

†† The specific rates are lower in these four cases.

rates with some Mississippi Valley commodity rates and some class rates. Since commodity rates are usually lower than class rates there is a possibility of error. In fact, there is lack of balance in the comparison, which should be corrected. Table III was prepared for the purpose of such correction. In this table a comparison of the rates of nine commodities that move in largest amounts parallel to the lower Mississippi[1] is made with the Illinois rates on the same commodities. In Table III the Illinois rates are class rates, and the Mississippi Valley rates are commodity rates in most cases. We have, therefore, a correction for Table II in Table III. But even in Table III, the differentials are preponderantly in favor of the Illinois rates. That is, even class rates in Illinois are usually lower than rates for the commodities that move in largest amounts on commodity rates parallel to the lower Mississippi. Tables I–III show quite conclusively that freight rates in Illinois are already lower than those from St. Louis to the most important competitive points on the lower Mississippi. But it seems well to compare the Illinois rates with the rates between New Orleans and other points as far north as Memphis, Tennessee, to ascertain whether rates are lower there than in Illinois.

On the Mississippi between St. Louis and Cairo there is maintained a minimum, mean, low-water depth of eight feet; between Cairo and the mouth of the Red River, of nine feet; and south of the junction of the Red River, of thirty feet. May not the rates be lower parallel to the deeper section of the river? To answer the question Table IV is presented. Here the rates on classes between New Orleans and certain points north of New Orleans to, and including, Baton Rouge, Louisiana, are compared with the Illinois class rates. This section of the river is not less than thirty feet in depth, and there is a boat landing at every point specified. Yet in fifty comparisons there are only seven differentials in favor of the Mississippi Valley rates. It is true that the Western Classification applies on the route; but this does not invalidate the general comparison, because the Western Classification is very similar to the Illinois Classification.

[1] The writer tabulated the commodities moving from St. Louis to the points specified for the calendar year 1909, and the commodities listed in Table III are from the list of commodities moving in largest amounts excluding commodities shown in Table II.

A comparison of the class rates from New Orleans to certain points north of Baton Rouge with the Illinois rates is made in

TABLE III

COMMODITY RATES SOUTHWARD FROM ST. LOUIS, MISSOURI, COMPARED WITH SIMILAR RATES IN ILLINOIS—MINIMUM CARLOAD WEIGHT 24,000 POUNDS, EXCEPT ON HAY AND BEER, 20,000 POUNDS

Rates in cents per 100 pounds

From St. Louis, Mo., to		Miles	Common Brick	Fresh Meats	Cured Meats	Hay (Baled)	Beer in Wood	Corn Syrup and Glucose	Cement (Building)	Fertilizer	Machinery*
Cairo, Ill.	Specific	152	8	18	13	8	14	14	8	8	14
	Illinois	152	8	18	14	8	14	14	8	8	14
	Differential		0	0	††1	0	0	0	0	0	0
Fulton, Ky.	Specific	201	12	†37	35	17	26	28	‡13	§12	†24
	Illinois	201	9	20	16	9	16	16	9	9	15
	Differential		3	17	19	8	10	12	4	3	9
Memphis, Tenn.	Specific	305	‡10	†28	21	†12	16	¶12	‡9	§10	25
	Illinois	305	10	23	18	11	18	18	11	10	17
	Differential		0	5	3	1	††2	††6	††2	0	8
Helena, Ark.	Specific	338	‡15	†48	26	†20	21	¶16	‡14	§15	35
	Illinois	338	10	23	19	12	19	19	12	10	18
	Differential		5	25	7	8	2	7	2	5	17
Greenville, Miss.	Specific	455	‡15	†48	33	†20	21	¶16	‡14	§15	35
	Illinois	455	12	26	20	13	20	20	13	12	20
	Differential		3	22	13	7	1	††4	1	3	15
Vicksburg, Miss.	Specific	525	‡15	†48	33	†20	21	¶16	‡14	§15	35
	Illinois	525	13	27	21	14	21	21	14	13	21
	Differential		2	21	12	6	0	5	0	2	14
Natchez, Miss.	Specific	546	‡15	†48	33	†20	21	¶16	‡14	§15	35
	Illinois	546	13	27	22	15	22	22	15	13	21
	Differential		2	21	11	5	††1	††6	††1	2	14
Baton Rouge, La.	Specific	671	‡15	†48	33	†20	21	¶16	‡14	§15	35
	Illinois	671	14	28	23	16	23	23	16	14	22
	Differential		1	20	10	4	††2	††7	††2	1	13
New Orleans, La.	Specific	701	‡15	†48	33	†20	21	¶16	‡12	§15	35
	Illinois	701	14	29	24	16	24	24	16	14	23
	Differential		1	19	9	4	††3	††8	††4	1	12

* Sawmills, boilers, and other machinery taking sixth-class rates.
† Minimum carload weight, 20,000 pounds.
‡ Minimum carload weight, 40,000 pounds.
§ Minimum carload weight, 30,000 pounds.
¶ Minimum carload weight, 35,000 pounds.
†† Specific rates are lower in these fourteen cases.

Table V. The first point specified (Roxie, Mississippi) is not a Mississippi River point, and was selected to show that at the non-river points still higher rates apply than at the river points. Of the sixty comparisons made only nine differentials appear in favor of the Mississippi Valley rates, and in most cases these are small. These Mississippi Valley rates were made low to obtain the traffic

TABLE IV

CLASS RATES BETWEEN NEW ORLEANS AND BATON ROUGE, LOUISIANA, AND OTHER POINTS COMPARED WITH ILLINOIS CLASS RATES FOR SIMILAR DISTANCES

Rates in cents per 100 pounds

Between New Orleans, La., and		Miles	1	2	3	4	5	A 6	B 7	C 8	D 9	E‡ 10§
*La Place, La.	Specific	30	25	23	20	18	15	12	8	10	11	8
	Illinois	30	18	16	13	10	8	7	7	6	5	4
	Differential	...	7	7	7	8	7	5	1	4	6	4
Lutcher, La.	Specific	42	25	23	20	18	15	12	8	10	11	8
	Illinois	42	23	18	15	11	9	8	8	7	5	5
	Differential	...	2	5	5	7	6	4	0	3	6	3
Burnside, La.	Specific	62	25	23	20	18	15	12	8	10	11	8
	Illinois	62	26	21	18	12	10	10	9	7	6	5
	Differential	...	† 1	2	2	6	5	2	† 1	3	5	3
St. Gabriel, La.	Specific	75	25	23	20	18	15	12	8	10	11	8
	Illinois	75	27	23	19	13	10	10	10	8	6	6
	Differential	...	† 2	0	1	5	5	2	† 2	2	5	2
Baton Rouge, La.	Specific	89	25	23	20	18	15	12	8	10	11	8
	Illinois	89	29	24	20	14	11	11	11	8	7	6
	Differential	...	† 4	† 1	0	4	4	1	† 3	2	4	2

* Illinois Central R.R. Tariff, I.C.C. No. 4186.
† Specific rates are lower in these seven cases.
‡ Classes of the Western Classification.
§ Classes of the Illinois Classification.

between New Orleans on the one hand and Memphis and other points on the other. Yet they are materially higher than the Illinois rates.

Since the rail rates parallel to the Mississippi are higher than the present rail rates in Illinois, as shown above, and since the Illinois rates apply as maximum rates via all short lines[1] in the

[1] The term "short line" is here used to indicate the shortest railway route between any two points. The longer routes must meet the rates made by the short lines, and the circuitous carriers, therefore, make rates that are less than for the actual distance.

state, the rates parallel to the proposed eight-foot channel are lower than the competition of the boats on the lower Mississippi have forced the rates parallel to that section of the route. With these conditions known, three questions are still unanswered: Will the boats on the new channel be able (1) to force a reduction in the parallel rail rates, or (2) to carry freight more advantageously for

TABLE V

CLASS RATES BETWEEN NEW ORLEANS AND POINTS NORTH OF BATON ROUGE, COMPARED WITH ILLINOIS CLASS RATES FOR SIMILAR DISTANCES

Class rates in cents per 100 pounds

From New Orleans, La., to		Miles	1	2	3	4	5	6	A 7	B 8	C 9	D 10
*Roxie, Miss.	Specific	169	68	58	48	41	34	30	23	25	25	20
	Illinois	169	37	30	23	19	15	14	13	11	9	8
	Differential		31	28	25	22	19	16	10	14	16	12
†Natchez, Miss.	Specific	214	45	40	32	25	20	17	12	18	14	12
	Illinois	214	40	32	25	20	16	15	14	12	10	9
	Differential		5	8	7	5	4	2	‡ 2	6	4	3
†Vicksburg, Miss.	Specific	236	45	40	32	25	20	17	12	18	14	12
	Illinois	236	41	33	26	21	17	16	14	13	10	9
	Differential		4	7	6	4	3	1	‡ 2	5	4	3
†Greenville, Miss.	Specific	319	45	40	32	25	20	17	12	18	14	12
	Illinois	319	45	37	29	23	18	17	16	14	11	10
	Differential		0	3	3	2	2	0	‡ 4	4	3	2
†Helena, Ark.	Specific	407	45	40	32	25	20	17	12	18	14	12
	Illinois	407	48	40	32	25	20	19	18	16	13	11
	Differential		‡ 3	0	0	0	0	‡ 2	‡ 6	2	1	1
†Memphis, Tenn.	Specific	396	45	40	32	25	20	17	12	18	14	12
	Illinois	396	48	40	32	25	20	19	18	15	12	11
	Differential		‡ 3	0	0	0	0	‡ 2	‡ 6	3	2	1

* Yazoo & Mississippi Valley R.R. Tariff, I.C.C. No. 3818.
† Yazoo & Mississippi Valley R.R. Tariff, I.C.C. No. 3585.
‡ Specific rates are lower in these nine cases.

the shippers than the railways do, and (3) will both of these advantages be worth the cost of constructing the channel? A complete answer is not attempted in this short article. The writer has treated the subject of the Lakes-to-the-Gulf Waterway elsewhere. The chief purpose of the present paper is to present, for the consideration of those studying the subject as a whole, a comparison of the rates. A few comments on the nature of the proposed eight-

foot channel in comparison with the Mississippi River below St. Louis, however, are here offered.

The proposed channel of a minimum depth of eight feet between Chicago and St. Louis is made up of the Chicago River from Lake Michigan to the connection with the Chicago Sanitary and Ship Canal, over which there are some twenty-seven city and railroad bridges; of the Sanitary and Ship Canal, which is spanned by fifteen bridges; of the Des Plaines, the Illinois, and the Mississippi rivers, which are also spanned by several bridges. As proposed, there are also several locks on the routes. With a narrow canal forming a considerable portion of the route, and with some fifty bridges and several locks as obstructions, the proposed eight-foot channel could not be as efficient as the lower Mississippi with its broad channel and few bridges. That is, freight could not be transported for as low cost on this obstructed canal, where a speed of from three to five miles would be the average, as on the broad Mississippi, where a speed of from ten to fifteen miles is easily made.

The writer has shown elsewhere[1] that although there is a large freight traffic moving between St. Louis and Memphis, St. Louis and New Orleans, and Memphis and New Orleans, there is no significant amount of freight carried between any of these cities by boat. There is not even a packet line in operation between Memphis and New Orleans, and the line that operates between St. Louis and Memphis depends on way-freight for traffic. That is, the freight is either sent out from St. Louis and Memphis to the way-landings or is collected at those non-rail points and carried to St. Louis or Memphis. If the boats on the lower Mississippi neither carry any significant amount of the competitive freight nor compel the parallel railways to make as low rates as are now in effect throughout the entire state of Illinois, how can the proposed route between Chicago and St. Louis be of material service even to the privileged shippers on the banks of the route? Of course it might be aptly rejoined that the traffic conditions are very different in the lower Mississippi Valley from those in Illinois, that the density of freight traffic is much greater in Illinois, and that for this reason the boats could carry freight cheaper in Illinois than

[1] *Journal of Political Economy*, XX, 6 (July, 1912), pp. 541–73.

on the lower Mississippi. In reply it may be said that there is a large traffic moving between St. Louis and Memphis—enough to load boats to their full capacity—but the boats cannot attract the freight. Considering the material difference in the rates in the two sections and the low efficiency of the proposed route, moreover, the writer believes that the construction of this canal will be an economic waste, as that of so many others has been since the present status of railways has been attained.

Now that we have finished our study of the proposed channel between Chicago and St. Louis, some application of the conclusions arrived at in this case may be made to the general topic of the advisability of constructing waterways instead of railways. The problem is world-wide. An economist of China recently made inquiry of the writer as to how far the conclusions set forth in *The Lakes-to-the-Gulf Deep Waterway* could be generalized. He desired to know whether a network of canals or a system of national railways should be constructed by the young Chinese Republic. The traffic conditions in China are, of course, so fundamentally different from those in the Mississippi Valley that no comparison will be attempted here. But it is certain that China will not repeat the history of the nations that have brought railway development to its present status. The best types of railways may be constructed by that nation (since it is a densely populated country with great natural resources); and within a decade or two, traffic should be carried as cheaply by rail in China as it is now in the Mississippi Valley.

To many who have studied the statistics of traffic on the Rhine, the contrast with traffic on the Mississippi is a puzzle. Even here the conditions are not entirely comparable, and without a study of both traffic movement and rates, few generalizations can be safely made. The writer believes, however, that the *crux* of the whole matter lies in the fact that German railway freight rates are more than 12 mills per ton-mile, while the rates parallel to the Mississippi are approximately only 6 mills.[1] The railways were

[1] The charges per ton per mile, by rail between points on the Mississippi, are presented in *The Lakes-to-Gulf Deep Waterways*, pp. 52–53. Even if the express be separated from the freight of German railway traffic, the ton-mile charge would still be something more than 10 mills.

not built with a view to competing for the Rhine traffic, however, and the terminal facilities are excellent on the Rhine. The German railways were constructed as feeders to the Rhine in many cases instead of as competitors. These are important advantages in transportation on the Rhine over transportation on the Mississippi. Yet it is the conviction of the writer that the difference in rates is more fundamental than any other factor that causes traffic to continue on the Rhine while it dwindles on the Mississippi.

The conclusions drawn from the proposed channel between Chicago and St. Louis may be applied safely to other projects in the United States where the same grade of railway service exists and the same railway rates are applied as in Illinois. Three projects in the territory of the Central Freight Association[1] have received considerable attention. Here the Central Freight Association scale of distance rates applies, and these rates are even lower than the Illinois distance rates. The railways, moreover, are as efficient throughout this territory as in Illinois. Because of these conditions, it is safe to say that boat traffic on the proposed canals would be neither more easy to develop nor more advantageous to the shippers than in the case of the proposed channel between Chicago and St. Louis. One of the projects is to connect Chicago with Detroit. The canal would pass through a highly developed industrial district near Chicago at an enormous cost, and through a rich agricultural section throughout the larger part of the route. It is the opinion of the writer that little local traffic could be developed along the route because of rail competition, and that the through traffic would continue to pass through the Great Lakes at a higher speed, a lower risk, and in larger cargoes.

A canal of large dimensions has been projected between Pittsburgh, Pa., and Lake Erie. Approximately the same rail rates apply as between Chicago and Detroit. The proposed route passes through a highly developed industrial and a rich agricultural region. It would be necessary to construct numerous road and railway bridges across the channel either of sufficient clearance to allow the freighters to pass or equipped with machinery for

[1] This territory lies roughly west of Buffalo and Pittsburgh, north of the Ohio River, and east of the Mississippi River and Lake Michigan.

being raised. A large channel with a requirement for a high clearance would be a wasteful obstruction to transportation. In a highly developed industrial region served by a thick railway net of steam and electric lines, this obstruction is also a detriment to industrial development, and an additional expense in the construction of electric or steam railways, as well as a hindrance to transportation or even locomotion from bank to bank. A canal between the Ohio River and Lake Erie has also been proposed. The same low rates and obstructive disadvantages are to be considered in connection with this project as in the case of the Pittsburgh-Lake Erie route. There is, however, less traffic moving between the Ohio River and Lake Erie than between Pittsburgh and that lake.

The three proposed canals mentioned above lie in territory so very similar in traffic conditions to that of the proposed waterway between Chicago and St. Louis that the writer is convinced that the construction of any of them could be nothing but a blunder. Indeed, wherever the freight rates are so low and the railway service is so efficient as in Central Freight Association territory and in Illinois, it would be a waste of funds to construct canals of considerable length or even to spend large sums in improving river channels. The improvement of mouths of rivers forming connections with the sea for ocean vessels would, of course, be an exception to this statement. It is good transportation policy, perhaps, to improve the Columbia River below Portland, Oregon, or the Mississippi below New Orleans. But the expenditure of a large amount of funds on the Columbia River above Portland or on the Mississippi above New Orleans for navigation purposes, the writer is convinced, would not be in the interest of public welfare. The reason for this conviction is a belief that rail transportation, with few important exceptions, is now cheaper, by and large, than transportation by canals and rivers.

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NOTES

GOVERNMENT DEPOSITS IN THE NATIONAL BANKS

The plans of Secretary McAdoo for depositing government money among the banks to aid crop-moving have attracted much attention and aroused a great deal of criticism, both favorable and unfavorable. Among other comments has been the insistence that the movement was a discrimination against the New York banks and one of many indications of the administration's deep-seated hostility toward the bankers in the metropolis.

Be that as it may, an examination of the facts regarding government deposits in national banks is of interest. During the last fifteen years a twofold change has been taking place. The first of these is in the total amount of the deposits in all national banks, and the second is in the proportion held in New York City as compared with the rest of the country. The reports made to the comptroller of the currency five times each year by the national banks furnish the best source of information, as comparisons of the amounts deposited in each part of the country are possible.

During the year 1899 the deposits of the government in the national banks ranged from $70,481,000 on June 30 to $81,340,000 on April 4. In 1913 the largest amount on deposit was $84,322,000 on October 21, the last date of call, and the smallest was $39,360,000 on February 4. Table I gives the largest and smallest amounts in each year from 1909 to 1913 as shown by the statements made to the comptroller. The amounts do not, of course, necessarily indicate the maximum and minimum during each twelve months, as these calls are issued only five times per year.

This fifteen-year period has witnessed two upward movements in the amount of these deposits. The first was during the time when Secretary of the Treasury Leslie M. Shaw endeavored to influence the supply of money and credit through his management of government funds. By transferring money directly from the Treasury to the banks, by depositing government money as an aid to crop-moving, and in other ways he increased the amounts due from the banks to the Treasury. The second marked upward movement began in 1906. It was at the outset to be attributed to the action of Secretary Shaw, but the amounts

were greatly increased by his successor, Mr. Cortelyou, as an aid to the banks in the fall of 1907. After 1908 the United States deposits with the banks fell rapidly to the low mark of $33,594,000 in 1912. During 1913, the item has been rising, the amount for each date being $39,360,000 on February 4, $39,886,000 on April 4, $43,118,000 on June 4, $51,486,000 on August 9, and $84,322,000 on October 21.

It may not be correct to characterize the movement for the entire period as downward but it is true that the amount of United States deposits, with the exception of the quotation for October 21, 1913, is now much less than in 1909. During 1913 there has been a movement upward, apparently due to the deposit of money to aid in the moving of crops.

TABLE I

UNITED STATES DEPOSITS WITH ALL NATIONAL BANKS: HIGH AND LOW AMOUNTS FOR EACH YEAR

YEAR	HIGH		LOW	
	Amount	Date	Amount	Date
1899	$ 81,340,000	Apr. 5	$ 70,481,000	June 30
1900	103,781,000	Feb. 13	87,596,000	Sept. 5
1901	104,167,000	Dec. 10	88,709,000	Feb. 5
1902	138,464,000	Nov. 25	105,940,000	Feb. 25
1903	153,276,000	Nov. 17	139,385,000	June 9
1904	155,399,000	Jan. 22	100,965,000	Sept. 6
1905	97,417,000	Jan. 11	51,600,000	Nov. 9
1906	129,193,000	Nov. 12	52,207,000	Jan. 29
1907	223,117,000	Dec. 3	140,801,000	Mar. 22
1908	221,437,000	Feb. 14	111,802,000	Nov. 27
1909	88,039,000	Feb. 5	35,226,000	Sept. 1
1910	42,048,000	June 30	34,267,000	Mar. 29
1911	37,166,000	June 7	34,413,000	Mar. 7
1912	47,876,000	June 14	33,594,000	Nov. 26
1913	84,322,000	Oct. 21	39,360,000	Feb. 4

The second change is in the proportion of these deposits held by the New York banks. On February 4, 1899, the banks as a whole held $81,120,000 of United States deposits; of this sum the banks of New York held $34,099,000, or 42 per cent. At the date of the last call there was a total of $84,322,000 of United States deposits, of which the New York banks held $2,226,000, or less than 3 per cent. The proportion held in New York declined from 42 per cent to 3 per cent, while that held by the other banks of the country increased from 58 per cent to 97 per cent. The relative amounts at the date of each call of the comptroller are shown in Table II.

This table shows a persistent and consistent policy on the part of the Treasury Department. Not only have the amounts on deposit with the banks been declining but the proportion allotted to the banks of New York has undergone a very pronounced change. The

TABLE II

RELATIVE AMOUNTS OF UNITED STATES DEPOSITS HELD BY NEW YORK NATIONAL BANKS AND BY ALL OTHER NATIONAL BANKS OF THE UNITED STATES

YEAR	PERCENTAGE		YEAR	PERCENTAGE		YEAR	PERCENTAGE	
	New York Banks	All Other Banks		New York Banks	All Other Banks		New York Banks	All Other Banks
1899.....	42	58	1904.....	24	76	1909.....	4	96
	42	58		38	62		6	94
	34	66		22	78		5	95
	36	64		22	78		7	93
	36	64		22	78		7	93
1900.....	38	62	1905.....	22	78	1910.....	6	94
	38	62		21	79		6	94
	37	63		18	82		8	92
	37	63		15	85		6	94
	36	64		16	84		6	94
1901.....	36	64	1906.....	15	85	1911.....	6	94
	36	64		18	82		5	95
	35	65		18	82		4	96
	35	65		10	90		4	96
	34	66		11	89		4	96
1902.....	34	66	1907.....	11	89	1912.....	4	96
	34	66		10	90		3	97
	33	67		18	82		3	97
	33	67		19	81		3	97
	30	70		34	66		4	96
1903.....	29	71	1908.....	28	72	1913.....	5	95
	27	73		19	81		7	93
	27	73		7	93		6	94
	27	73		9	91		5	95
	25	75		7	93		3	97

law allows the secretary of the Treasury to use his discretion in the designation of national banks as depositaries, and year after year these officials have gradually been distributing more of the funds in other parts of the country.

Fifteen years ago New York had nearly one-half of the total amount. This rapidly declined, the only marked reaction occurring in 1907, when

relief was given by the government to the New York market. In 1909 the percentage with New York banks fell to 4 per cent of the total, and since then it has ranged from 3 per cent to 8 per cent. New York's share was lowest in 1912, when it was 3 per cent and 4 per cent. This year it has ranged from 3 per cent to 7 per cent, the last report showing 3 per cent.

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BOND INVESTMENTS BY NATIONAL BANKS

The note on "Bond Investments by National Banks" by Mr. John V. Hogan in the November *Journal of Political Economy* directs attention to an important development in American banking practice. The particular exhibits which Mr. Hogan employs to show the rapid increase in the security holdings of the national banks are, however, defective.

Mr. Hogan states that between September 1, 1909, and June 14, 1912, the following changes occurred with respect to the national banks:

1. Aggregate capital stock increased 10.06 per cent.
2. Aggregate individual deposits increased 17.59 per cent.
3. Loans and discounts increased 17.76 per cent.
4. Holdings of securities other than United States bonds increased 41.63 per cent.
5. Holdings of securities other than United States, state, or municipal bonds increased 48.57 per cent.
6. The proportion of state, municipal, and railroad bonds to total security holdings decreased from 65½ per cent in 1909 to 49½ per cent in 1912.
7. The capital stock of all national banks on June 14, 1912, was $1,046,012,500.
8. The ratio of securities other than United States, state, or municipal bonds to capital stock increased from 64 per cent in 1909 to 87 per cent in 1912.

As a matter of fact, the changes which took place in the period indicated show no such disproportionate increase in security holdings, being as follows:

1. The aggregate capital stock at the two dates was:

September 1, 1909	$ 944,642,067.00
June 14, 1912	1,033,570,675.00

showing an increase of 9.41 per cent.

2. Aggregate individual deposits at the two dates were:

September 1, 1909	$5,009,893,079.79
June 14, 1912	5,825,461,163.36

showing an increase of 16.27 per cent.

3. Loans and discounts at the two dates were:

September 1, 1909	$5,128,882,351.18
June 14, 1912	5,953,904,431.85

showing an increase of 16.08 per cent.

4. Holdings of securities other than United States bonds at the two dates were:

September 1, 1909	$ 916,380,300.00
June 14, 1912	1,077,783,001.00

showing an increase of 17.61 per cent.

5. Holdings of securities other than United States, state, or municipal bonds at the two dates were:

September 1, 1909	$ 760,569,010.00
June 14, 1912	898,460,997.00

showing an increase of 18.13 per cent.

6. On September 1, 1909, the banks held:

State, county, and municipal bonds	$ 155,811,290.00
Railroad bonds	342,525,224.00
Total	$ 498,336,514.00

forming 54.4 per cent of their total security holdings.

7. The capital stock of all national banks on June 14, 1912, was $1,033,570,675.00.

8. The ratio of securities other than United States, state, or municipal bonds to capital stock increased from 80.5 per cent in 1909 to 86.9 per cent in 1912.

It might be worth while noting that the period from 1909 to 1912, as I have elsewhere shown,[1] was marked by comparatively slow increase in the relative importance of security holdings. Indeed from 1909 to 1910, and from 1911 to 1912, there was a decline in the importance of such holdings relative to banking resources, and although the increase from 1910 to 1911 was marked, the net change for the three years was moderate.

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[1] "The Security Holdings of National Banks," in *American Economic Review*, December, 1913.

WASHINGTON NOTES

THE NEW BANKING ACT

The passage of the banking and currency bill by the Senate on December 19 brings the close of the process of preparation and congressional controversy which has now lasted a good deal more than a year; while, of course, the movement of which it was the outgrowth is the product of nearly twenty years of continuous effort. The final episode of the contest for currency legislation was reached on December 2, when a senatorial caucus completed its consideration of the bill as reported by the Senate Committee on Banking and Currency a few days previously (November 22). When reported from the committee in question, the bill was accompanied by Senate Report No. 133 (63d Cong., 1st sess.) and by minority views embodying a rival bill. During the latter part of the struggle in the Senate Banking Committee, it proved so far out of the question to obtain the assent of the majority to any distinct series of proposals that the committee divided into two sections, one including six Democrats, the other, one Democrat and five Republicans, the former group being referred to by courtesy as the "majority." In reporting a modified draft of the House bill, the so-called majority yielded to the strong representations of the administration by striking out most of the provisions calling for wide departures from the terms of the House measure that had been inserted during the earlier stages of discussion. In its ultimate form, the majority draft, however, made the following significant innovations upon the House bill:

1. Alteration of the conditions under which federal reserve banks are to be organized, by providing for a new class of stock to be sold to the public, or in default of public subscription to be allotted to the United States if not taken up by existing banks.

2. Limitation of the number of reserve banks to be established to not less than eight nor more than twelve, as against the "at least twelve" provision of the House measure.

3. Broadening of the powers of the Federal Reserve Board by assigning it various new functions of a secondary character, and at the same time removing some restrictions upon its action in ordering rediscounts by one reserve bank in favor of another, which had been inserted during the time the bill was in the House Banking Committee.

4. Provision that federal reserve notes and other bank notes may be permitted by the Reserve Board to be used as reserves by banks.

5. Provision for compulsory purchase of $25,000,000 of 2 per cent bonds by federal reserve banks each year, such bonds to be used by the

reserve banks at their option to protect the bank notes, identical with existing national bank notes, which are to be taken out by them. Such bonds would, however, be purchased only at the request of existing holders (national banks) and would be used as a basis for circulation only if the federal reserve banks desired. If a request were made by the latter, the bonds might be funded into 3 per cent securities without the circulation privilege.

6. Alteration of the rediscount sections so as to broaden the rediscount powers and to permit, in addition, the use of domestic acceptances by member banks.

7. Elimination of the savings-bank provisions of the House bill.

8. Reduction of the amount of reserves to be required of national banks to 15 and 12 per cent respectively for reserve city and country banks, as against 18 and 12 in the House bill. At the same time the period within which the reserves are to be paid in is somewhat lengthened and the conditions lightened.

9. Reduction of the required contribution of capitalization from 20 per cent of the existing capital of member banks to 6 per cent of their capital and surplus, one-half to be paid in within a specified time.

Of these points the Senate succeeded in conference committee in maintaining Nos. 1, 2, 3, 5, 7, and 9 in modified forms, while Nos. 4 and 6 were rejected at the instance of the House, and a compromise was effected in regard to No. 8. Most of the points upon which concessions were made represented the views of the House leaders, as to which they had been unsuccessful in getting affirmative action in the lower chamber.

The debate in the Senate has followed familiar lines and has not contributed much to the amelioration of the terms of the bill, or to the better diffusion of sound ideas on money and banking.

ARGUMENTS FOR HIGHER RAILROAD RATES

Discussion of the proposed increase of 5 per cent in the rates of railroads in eastern classification territory has now been fairly started at hearings before the Interstate Commerce Commission. Only the side of the railroads has thus far been presented. They have succeeded in making an extremely clear showing with reference to revenue conditions, demonstrating the difficult situation in which they are placed both by the constant growth of demands of labor, largely assented to during the past year as a result of arbitration proceedings, and by the demands of the public for better facilities, greater safety of operation, and larger

crews on trains. The plan for the further conduct of the hearings provides for the completion of the railroads' case and then for the presentation of the shippers' arguments with a rejoinder by the roads. Already a very serious difference of opinion among shippers has become evident, some groups of shippers being positive in their opposition to an advance in rates, while others are inclined to continue their support of the railroads' position. It seems evident, however, from what has already been done, that the contest will finally settle down to an analysis of railroad revenue and its adequacy to maintain existing obligations and dividends. In this connection, the railroads have made a convincing showing, pointing out particularly that expenses have increased so much faster than revenues that the net operating income of eastern railroads for 1913 was $16,311,000 less than it was in 1910, notwithstanding the fact that more than $650,000,000 of new money had been put into the properties in that time. In general the roads in their preliminary briefs have made the following points:

1. The revenue received from the operation of these railroad systems had attained the sum of $1,205,155,435 in 1910. The increase in 1911 was some $14,000,000; 1912 maintained this gain and added to it $38,000,000. In 1913 this revenue had grown to $1,386,073,429. This showed an increase in revenue of $181,000,000 for the three years 1910–13.

The largest item of this revenue was, of course, that derived from carrying freight. This was, in 1910, $860,403,390. Passenger fares collected amounted to a little less than one-third of this sum, or $260,234,927. The increased receipts from freight charges, in 1912 and 1913, over each preceding year were, successively, $30,000,000 and $105,000,000, while the receipts of 1911 showed a decrease from 1910 of $3,000,000; in the same years the passenger department receipts increased $14,000,000, $5,000,000, and $14,000,000. Thus passenger and freight receipts were, in the year 1913, $165,000,000 in excess of what they had been in 1910.

2. With reference to the use of the money the roads have pointed out that there are three items which make up between 90 and 95 per cent of the expense of operation of a railway, these being in order of magnitude, transportation, maintenance of equipment, and maintenance of way. The forty-nine roads in question spent $410,734,001 for transportation charges in 1910. Their maintenance of equipment consumed $195,726,105, while maintenance of track, bridges, and the like demanded an expenditure of $145,273,235. As the total expense for running the rail-

ways in 1910 was $800,662,522 it is urged that the three items mentioned accounted for more than $750,000,000, or about fifteen-sixteenths, of the money paid out. The amounts increased steadily from year to year during 1911–13, until in 1913 the increase over the year 1910 amounted to $92,000,000 in transportation charges, $51,000,000 in maintenance of equipment charges, and $35,000,000 in maintenance of way charges.

3. The railroads paid out in taxes for the successive years 1910–13 $43,140,475; $45,898,383; $51,055,738, and $53,946,004. Thus the percentage of increase in taxes in 1913 over 1910 was 23.6 per cent.

4. As a result, the operating income showed a loss in three years of about $16,000,000, notwithstanding an increase in annual receipts of more than $180,000,000. Stated in terms of miles, the cash received was greater in 1913 than 1910 by $2,819 per mile or 13.7 per cent, yet the increase in expenses more than balanced this increase and resulted in a decrease in operating income of $312, or 5 per cent per mile.

The substance of the roads' case is practically summed up in the foregoing digest and has undoubtedly produced a strong impression both in Congress and upon the minds of the Interstate Commerce Commission members and of rate experts in their employ. Added to the financial showing just made, there has been a very convincing argument with respect to the difficulty of getting capital at reasonable rates under existing conditions, and the consequent difficulty of funding indebtedness into long-term obligations.

RAILROAD SECURITIES AND FINANCIAL CONDITIONS

The developments in the case of the railroads before the Interstate Commerce Commission have brought to light conditions in the banking system which have been known to close students but have not been generally recognized. The banks of the country have for some years past been obliged to finance the current needs of the railroads by short loans, because of the inability of the latter organizations to borrow from the general public. The public itself has been unwilling to take up long-term bonds because of its fear that the railways, under existing conditions, might not be able to meet their obligations readily. It has been willing to take a certain amount of short-term notes running one, two, and three years, but these notes have had to be constantly renewed, and during the year 1914 an unexpectedly large amount of them will require refunding, an operation that will necessitate rather extensive financial readjustments. Many of the notes have been carried by banks and

trust companies and constitute a considerable part of their assets. In not a few instances, institutions which took over such securities have found themselves obliged to continue carrying them, owing to unexpected inability to sell to investors. The consequence of this condition has been to render a large part of the banks' funds non-liquid, and ultimate liquidation appears to depend upon action placing the railroads in such a position as to render possible the restoration of confidence on the part of investors as a body. Of late the lack of such confidence in the United States has been aggravated by the action of European holders of the short-term securities referred to in sending to the United States large blocks of the notes issued by American railways. This they have done, partly because they distrusted the business outlook in this country and partly because they found that an easy way to avoid shipments of gold which they were unwilling to make in consequence of the strained banking situation due to the waste of capital which has resulted from the constant warfare in Southeastern Europe during the past year. The fact that the banks are burdened with railroad securities in such a way has greatly intensified the pressure that is being brought to bear upon the government in behalf of an advance in rates. Additional urgency is lent by the depression of business in the steel industry, due to the inability of the roads, with their present revenues, to make new contracts for rails and equipment. On the other hand, those who regard the rate increase as desirable find themselves in an embarrassing dilemma, because of the apparent power of railroad employees' organizations to exact from the roads a constantly increasing measure of their earnings in the form of higher wages. Such increases granted during the past year, in fact, constitute one of the immediate causes of the difficulties under which the roads are now suffering. There is no assurance whatever that if the desired advances were to be granted, the roads would long be able to retain them, and to use the funds thus obtained for the purpose of providing better equipment or of disposing more satisfactorily of their maturing obligations. That the Interstate Commerce Commission will practically be driven to a general survey of the railroad situation in many aspects that are broader than the immediate financial condition of the lines themselves is evident, inasmuch as their indirect relations with labor and with banking institutions are so important a factor in the problem now to be solved. The complexity of the situation foreshadows a much greater delay in reaching a decision regarding the proposed rate advances than had been expected.

DEVELOPMENT OF THE ANTI-TRUST PROGRAM

The first official statement of the anti-trust policy of the Wilson administration is afforded by the report of Secretary Redfield of the Department of Commerce (*Report of the Department of Commerce for 1913*) made public December 15. In this report Mr. Redfield furnishes an outline of proposed methods of investigation and proposed types of legislation which he believes to be desirable with respect to the control of corporate effort. Whatever is actually done by the Wilson administration during the coming year, or later, toward the restriction of corporations, the plans with which a beginning is made, as now set forth in the report of the Secretary of Commerce, will have distinct significance as showing the point of view from which a start was taken. Secretary Redfield's outline of suggestions includes first of all an inquiry into the condition and efficiency of industrial combinations. On this point he says that "there is a growing question in the minds of experienced and thoughtful men as to whether the trust form of organization is industrially efficient and whether bigness of bulk is always necessary to production at the lowest cost. . . . . It is significant that some of the great trusts have ceased to exist, that others pay but moderate dividends, if any, on their securities and that side by side with the most mighty and supposedly the most efficient of them have grown up independent organizations quite as successful and perhaps earning even more upon their capital than their powerful competitors. Furthermore, it is undoubtedly true that many of the most profitable businesses of the country are those of moderate size, and that this is so even in lines where large concerns exist of apparently less earning capacity. . . . . The purpose of the Bureau of Corporations is to study patiently into the historical facts, financial facts . . . . and the like." A second element in the program recommended by the Department is the ascertainment of the conditions under which retail prices are actually fixed in order to determine "whether giving the privilege of fixing prices to a manufacturer tends toward monopoly or does not so tend." Third, it is desired to have an extensive inquiry into the cost of production of various kinds of commodities, apparently with a view of making clear whether or not the costs thus ascertained are lower or higher in so-called "trust" plants than they are elsewhere. Meanwhile it is announced that actual investigations of trade agreements are under way in order to determine what agreements, if any, are actually in restraint of trade and what ones, if any, are likely to be of assistance to competition and hence

properly to be exempted from the operation of the Sherman act. This is apparently a concealed suggestion that labor organizations may well be given the kind of exemption referred to. Finally, it is stated that an inquiry has been undertaken with reference to the actual status of agreements governing the resale price of various articles as they pass from producer and manufacturer to jobber and retailer. Secretary Redfield's suggestions afford merely the background upon which the new anti-trust policy of the administration is to be sketched in during the next few months, but it gives the clue to the general line of reasoning that will govern in formulating this policy and seems to foreshadow a good deal of delay in carrying it out.

THE GOVERNMENT IN BUSINESS

The fact that the government of the United States is now fully and extensively engaged in the operation of a large business enterprise is not generally realized, but it is made clear in the statements of the Post-Office Department with reference to the management of the parcel-post service. That report (*Report of the Postmaster-General*, 1913) shows that within the past year the Department has practically entered upon an enormous undertaking, doing work and supplying demands which in part were formerly provided for by the express companies and in part were not provided for at all, much of the business having come into existence as a result of the offer of the service. Approximately 300,000,000 parcels were handled during the first six months of the operation of the system after January 1, 1913. Subsequent reports are showing an even greater relative growth in the amount of business done. In consequence of this great development, the weight limit as to parcels was increased from 11 to 20 pounds on August 15, 1913, and is now to be increased to 50 pounds within the first and second zones of operation; at the same time the rates are to be cut in all zones except the first and second (where cuts had already taken place when the first increase in size was made), and in the seventh and eighth in which reductions are not believed to be warranted, inasmuch as these zones represent long-distance traffic. The effect of the apparent success of the parcel-post service—a success thus far due in some measure to the fact that Congress has made no adequate provision for paying the railroads for the additional transportation labor imposed upon them—has been the very great advancement of a movement for government ownership of telegraphs and telephones, already under way prior to the time that the

parcel post was inaugurated. The movement toward government ownership is now directly supported by the Postmaster-General, representing the Wilson administration, inasmuch as he states that: "The monopolistic nature of the telegraph business makes it of vital importance to the people that it be conducted by unselfish interests, and this can be accomplished only through government ownership." He further announces for the first time the results of an investigation designed to "exhibit the nature of the problem involved in securing government ownership and control of existing facilities." Thus, beside taking a long step into the actual field of industrial enterprise, the way has been paved for the acquisition of another large group of businesses and for their operation under government management. The further advance of this policy within the boundaries of private enterprise, probably directed next to the railroad business, is thus made an almost certain element in national policy during the next few years.

APPLYING THE INCOME TAX

An interesting contribution to the history of the administration of the tariff law of October 3, 1913, and to the general literature of income-tax application has been afforded by a series of regulations for the application of the tax under a variety of different conditions. The bulk of these are found in Treasury decisions 1890, 1891, 1892, 1893, 1894, 1897, 1901, 1902, 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1914, 1915, series of 1913, and a special compilation issued by the Commissioner of Internal Revenue on October 25, and preceding in point of time the other regulations already referred to. It is to the regulations, quite as much as to the law, that the student of income-tax history in the United States will turn in the future, particularly when analyzing the effects of the provision for "collection at the source," included, after so much futile discussion during the past summer, in the tariff act itself.

BOOK REVIEWS AND NOTICES

English Local Government: The Story of the King's Highway. By SIDNEY and BEATRICE WEBB. London and New York: Longmans, Green & Co., 1913. Pp. x+279. $2.50 net.

This is another volume of these authors' series of studies in English Local Government, of which there have already been issued *The Parish and the County* and *The Manor and the Borough;* but while the two earlier publications dealt with the structure of local government, this is an account of the application of local government to the administration of the roads of the kingdom. A short initial chapter is devoted to the period before the sixteenth century, concerning which the authors have made no special research, but utilize the best material that has been published up to this time. This has been included in order to round out the story. Beginning with the Tudor time and carrying the research down to the present day, the work has been done in a thorough and painstaking way. From the time of the first great highway act of 1555 down to that of 1909, the various changes in the system of administration are traced with sufficient detail to show the outstanding features of the various epochs. This is not an economic study, although economic conditions are reflected by implication from other facts; it is rather a study of the systems of maintenance and management which appeared in the evolution of road administration, and in which we see the various stages of local government, from the Court Leet to the County Council. Much attention is naturally given to the legislation during these last four centuries, since this is the basis of any adequate consideration of the government and regulation of the highways and their traffic; but the statutory material is not given in the language of the parliamentary committee but in the familiar phraseology of everyday speech, so that it thereby assumes a vital interest.

The method of repairing roads by statute labor, which began in 1555 and required all the parishioners to put in a certain number of days' work each year upon the highways, continued for about three hundred years; and the period down to the end of the eighteenth century, with its vast amount of legislation evidently based upon an assumption

that the traffic should be made to accord with the nature of the roads, gave place to the period when the road engineers, like Telford and Macadam, acting on the contrary assumption, began to construct roads that were suitable for the traffic that was to be carried. Synchronous with these three centuries, the parochial road administration, the use of the presentment and indictment, the maintenance of bridges, and the turnpike system are lucidly and discriminatingly treated. The forced statute labor and the turnpike tolls of this period gave way, after the first third of the nineteenth century, to a system of compulsorily levied rates, and along with this change all the roads of a district were placed under the control of the general local governing authority of that district, which employed permanent professional salaried officials to look after the work. This evolution was the work of the last century. On the last two pages of the book we have the only suggestions made for a constructive program of highway organization.

The reviewer has very minutely examined, during years of research, the ground which is here covered by the authors; and he has been unable to find any substantial errors as to fact. The thorough comprehension of the subject enables them to marshal proof upon proof where this is necessary, and to enter into great detail regarding important matters. The constant presentation through quotations, always well chosen, of the contemporary viewpoint, enables one the more faithfully to reconstruct the actual conditions of the time, and gives a historic interest that is indubitable. The notes and references at the end of each chapter furnish abundant bibliographical material.

In contrast with its excellences, the few defects of the book are almost unworthy of mention. The statement that the great majority of roads in America are not bounded by fences (p. 6) is not true. Among the references for p. 115 (p. 147), Act 15 Car. II. c. 1 was renewed by Acts 16 and 17 Car. II. c. 10 and 4 W. and M. c. 9, not by 26 Car. II. and 4 and 5 W. and M., as stated by the authors. It was surely a typographical error that put the word "containing" (p. 116) instead of "continuing." The use of the word "worser" (p. 165) instead of "worse" or "poorer," and the incomplete sentence beginning, "Both master and men . . . ." (p. 138) may also be explained as due to mistakes of printing.

W. T. JACKMAN

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Le juif errant d'aujourd'hui: étude sur l'émigration des Israëlites de l'Europe orientale aux États-Unis de l'Amérique du Nord. Par L. HERSCH. Paris: Giard et Brière, 1913. Pp. 331. 6 fr.

The study by Dr. Hersch is a valuable and original contribution to the literature on immigration to the United States. By a masterful analysis of the annual reports of the United States Bureau of Immigration, compared with available statistics from Russian, Austrian, Hungarian, Roumanian, and other official and unofficial sources, the author has traced with scientific accuracy the causes of the great exodus of the Jews from Russia, Austria, and Roumania, and the characteristics of the population groups drawn into the movement.

It is customary to range the Jews among the "immigrants from southern and eastern Europe." Notwithstanding the widespread prejudice of American writers against these immigrants, students of immigration statistics could not help noting the many striking differences between the Jewish and other immigrants from the countries of southern and eastern Europe. Dr. Hersch has made a special study of these differences and has reached the conclusion that the Jewish immigrants from Russia and Austria closely resemble in their characteristics the type of immigrant from northern and western Europe.

United States immigration statistics contain no classification by race prior to 1899. But the statistics for the twelve-year period, 1899–1910, comprising as they do more than a million Jewish immigrants and relating to the period of the greatest migration movement in the history of the world, may doubtless be accepted as representative of the general character of Jewish immigration.

The Jews, next to the Irish, are the most permanent element of the present-day immigration, exceeding in this respect all other races. The available statistics of returning immigrants do not go farther back than 1908. The year 1908 was affected by an industrial crisis; 1909 was an average year, and 1910 witnessed a great increase of immigration. The average ratio of returning to incoming immigrants for those three years among the Jews was 8 per cent and among the Irish 7 per cent, whereas among the other races this ratio varied as follows (p. 59):

OLD IMMIGRATION	Per cent	NEW IMMIGRATION	Per cent
Scotch	9	Finns	18
English and Welsh	12	Lithuanians	14
Dutch	11	Poles	30
Germans	20	Russians	41
Scandinavians	15	Ruthenians	12
Bohemians	11	Magyars	64
		Roumanians	27

These figures show a clear distinction between the Jewish immigrants and those of other races coming from Russia, Austria-Hungary, and Roumania, viz.: that while among some of the latter races the proportion of temporary immigrants is as high as one-fourth, one-third, and even two-thirds of their total number, more than nine-tenths of the Jewish immigrants come to the United States to stay.

Comparative statistics of the sex and age distribution of immigrants extend over the whole twelve-year period for which the classification by race is available. The figures demonstrate that Jewish immigration is of the family type, *par excellence*. The Jews and the Bohemians exhibit the highest proportion of females among all immigrant races, except the Irish, among whom the number of females exceeds that of the males, as can be seen from the following table showing proportion of women immigrants to total immigrants (p. 60):

	Per cent		Per cent
Jews	43	Germans	41
Bohemians	43	Dutch	34
English and Welsh	38	Scandinavians	38
Scotch	36		

Thus there are proportionately more women among the Jewish immigrants than among the principal races of the "old immigration." Among the immigrants of those races which live side by side with the Jews in eastern and southern Europe the percentage of women is much lower than among the Jewish immigrants, viz.:

	Per cent		Per cent
Poles	31	Ruthenians	26
Lithuanians	29	Magyars	28
Russians	15	Roumanians	9

The Jewish immigrants, furthermore, bring over with them more children, in proportion, than any other race. One-fourth of all Jewish immigrants are children under 14 years of age (p. 72), whereas among other races the percentages vary as follows:

Old Immigration	Per cent	New Immigration	Per cent
Dutch	21	Finns	15
Germans	17	Magyars	9
Bohemians	20	Poles	9
English and Welsh	15	Lithuanians	8
Scotch	15	Russians	7
Irish	5	Ruthenians	4
Scandinavians	9	Roumanians	2

Another index of the comparative prevalence of the family type among the immigrants of various races is furnished by the ratio of married women to married men. Of course, the female immigrants for a given year include wives going to join their husbands who preceded them, while the married men include those who have left their families behind. Nevertheless the prevailing type of immigrants among the several races is clearly reflected in the varying ratio of married women to married men. Disregarding the very small number of the French immigrants, most of whom are Canadians, we find the Jews at the head of the list, their number of married women being 80 per cent of the number of married men, while other races follow as shown below (p. 84):

Old Immigration	Per cent	New Immigration	Per cent
English and Welsh	79	Finns	37
Irish	70	Lithuanians	38
Scotch	67	Poles	24
Dutch	69	Russians	14
Germans	65	Ruthenians	13
Scandinavians	52	Magyars	33
Bohemians	63	Roumanians	10

The prevalence of the family type among the Jewish immigrants finds expression in the relative numbers of breadwinners and dependents among them: according to the proportion of dependents (described in the annual reports of the commissioner general of immigration as "persons without occupation, mostly women and children"), the Jewish immigrants stood at the head of all races, with dependents numbering 45 per cent of the total number of immigrants (p. 102). Other races exhibited the following percentages:

Old Immigration	Per cent	New Immigration	Per cent
Dutch	43	Finns	19
Germans	39	Magyars	23
English and Welsh	38	Poles	21
Scotch	35	Lithuanians	19
Irish	14	Russians	16
Scandinavians	19	Ruthenians	13
Bohemians	40	Roumanians	9

Coming to the occupational classification of the Jewish immigrants we find among them a higher proportion of skilled mechanics than among any other race, viz.: two-thirds (67 per cent) of all breadwinners, as against 58 per cent among the Scotch, 49 per cent among the English,

and one-third among the Germans (p. 31). The majority of gentile immigrants from southern and eastern Europe, on the contrary, are unskilled laborers.

Having described the character of the Jewish immigration, the author proceeds to analyze its causes. The persecution of the Jews in Russia is clearly reflected in the comparative statistics of Jewish and gentile immigration to the United States from Russia and Austria-Hungary. The proportion of Jews among the immigrants from the Jewish "pale of settlement" in the Russian Empire is four times as high as their proportion to the total population of the same section (p. 42). The author thus summarizes the results of his statistical analysis:

> (1) The ratio of Jewish emigration nowhere attains such an abnormal height as in Russia. (2) It is still high enough in Austria, but in that country it is 45 per cent lower than in Russia and presents nothing truly exceptional. (3) In Hungary and the Balkan States, except Roumania, the rate of emigration is materially lower among the Jews than among the surrounding population. [p. 55.]

On the other hand, the ratio of returning to incoming immigrants among the Russian Jews is much lower than among the Austrian Jews with the result that the rate of net emigration of the Russian Jews is twice as high as that of the Austrian Jews (p. 62).

The annual fluctuations of the figures of Jewish immigration from Russia point in the same direction. In the year ended June 30, 1905, during the Russo-Japanese War, the proportion of males among the Jewish immigrants rose to 63 per cent, the average for the period 1899–1910 being 57 per cent. It is a well-known fact that many Jews who were enrolled in the reserve army left Russia in order to escape active service in the war. During the next fiscal year, 1908, which was marked by the massacre of the Jews, after the revolutionary October days of 1905, the number of male immigrants slightly declined, while the number of female immigrants increased by more than one-half, the proportion of female immigrants to total immigrants rising in one year from 37 to 48. "The Jewish immigrant, in those dark hours, was afraid to leave his wife, his children, his mother, and his sisters exposed to the danger of death and dishonor" (p. 69). The percentage of children for the same reasons reached its maximum in 1906, viz., 28.5, while the percentage for the preceding year was only 22, and the average for the twelve-year period, 25 (p. 74). The proportion of breadwinners during the Japanese war (fiscal years 1904 and 1905) rose to 64 per cent, while the average for the twelve-year period was only 55 per cent. On the other hand, while

the number of breadwinners declined from 83,000 in 1905 to 77,000 in 1908, the number of dependents rose from 47,000 to 77,000, their proportion increasing from 36 per cent to 55 per cent (p. 105). This was the direct effect of the massacres of 1905.

Another effect of political conditions in Russia is seen in the fact that the ratio of professional people to all breadwinners is much higher among Jewish immigrants than among other immigrants from the same countries; it is six times as high among the Jews as among the Poles and Roumanians, and fifteen times as high as among the Lithuanians (p. 111). The proportion of professional persons among the Jewish immigrants is the same as among the Irish, notwithstanding the fact that the former are handicapped in most cases by ignorance of the English language. But they are driven to emigration by legal disabilities curtailing their opportunities in their native countries. It is also true that the repressive measures directed by the Russian government against strikes and labor organizations during the first decade of the present century have driven many Jewish mechanics to emigrate to the United States.

Along with political and religious causes, there are also deep-seated economic causes which account for the modern emigration movement among the Jews. It is generally thought that the Jew is not a farmer. In a sense this is true, very few Jews deriving their livelihood from agriculture. It is a fact, however, that until a very recent date nearly every Jewish family in the small towns raised its own vegetables and poultry, and kept a cow or a goat which supplied the household with milk, butter, and cheese. The growth of small towns into cities put an end to the rule of natural economy and forced the Jewish mechanic or trader to rely solely upon his money earnings. Here, however, the Jew was confronted with numerous legal restrictions. A large proportion of the Russian Jews in former times were engaged as middlemen between the peasants and the general consuming public. The laws of 1882 which drove the Jews from the rural settlements curtailed their activities as middlemen. The impoverishment of the Russian peasantry during the past fifty years contributed to the same result; when the peasant has little to sell and his purchasing power is reduced to the minimum of subsistence, the Jewish tradesmen in the small towns find no customers. The decline of trade in the small Jewish towns has driven their inhabitants to the larger cities. The Jews being restricted in the choice of their domicile to one section of the empire, the point of saturation was reached at length and they were forced to seek relief in emigration to the United States.

The development of the factory system has displaced the Jewish

craftsmen in certain industries, notably in Poland. The skilled Jewish mechanics were displaced by unskilled Polish peasants. Industrial competition has developed into race antagonism: Polish operatives resist the admission of Jewish workers to the factories. Again emigration offers the only relief to the Jewish mechanic displaced by the machine.

The economic causes of Jewish immigration determine, according to the author, not only its sex and age composition, but also the proportion of returning to incoming immigrants: the bulk of the gentile immigrants from southern and eastern Europe being peasants, many of them naturally gravitate to their homesteads; emigration to the United States is with them only a means to raise some money for the improvement of their home farms. Regarding their sojourn in the United States as merely a temporary absence from home, they naturally leave their families at home. The Jewish emigrant, on the contrary, being a wage-earner or a tradesman, carries his earning capacity with him and can have no object in returning to his home country—hence the more permanent character of Jewish immigration.

While it cannot be denied that the immigration of Russian Jews, like that of other races, is the product of economic factors, it seems that Dr. Hersch insufficiently emphasizes the political aspect of these factors. It is a fact, noted by the author himself, that in recent years the migration of Russian peasants from European Russia to the vacant government lands in Siberia has reached nearly a million per year. These new settlements would offer an ample field for the surplus of Jewish mechanics and traders now crowded together in the pale of Jewish settlement. It is the law of the empire that bars them from migrating eastward and directs their movement westward, to the United States.

The author has pursued a purely theoretical aim: to find an answer to the questions engaging the attention of European students of Jewish emigration. His work, however, has a great practical value for the American student and statesman interested in the subject of immigration. It is to be hoped that the book will be made accessible to the American public in an English translation.

ISAAC A. HOURWICH

NEW YORK CITY

The Amalgamated Wood Workers' International Union of America. By FREDERICK SHIPP DEIBLER. Bulletin of the University of Wisconsin, 1912. Pp. 211. 40 cents.

This doctoral dissertation is an intensive study in social mechanics. "In this study an endeavor has been made to trace the history of a trade

union, and to show, in so far as it is possible, the connection between the problems of organized labor and the evolution of the industry itself." The proper avenue of approach was chosen. There was selected for investigation a labor organization that has developed in an industry fundamentally affected by far-reaching changes in industrial methods, whose different organizations have in consequence been goaded into an unusually long and disastrous series of jurisdictional disputes. Dr. Deibler has written a careful and exhaustive discussion which will be read by only a few. The trenchant criticisms of Professor Patten in his address as president of the American Economic Association may not inaptly be applied to Professor Deibler's work. Nevertheless, a valuable service has been rendered to students of labor problems.

The evolution of the woodworking industry and the early organizations among woodworkers are discussed in the introductory portion of the monograph. The second part considers the formation, structure, and policies of the Amalgamated Wood Workers' Union. The most significant chapter relates to the jurisdictional difficulties in the woodworking industry.

Originally, there were two distinct groups of woodworkers engaged in the remanufacture of lumber—house carpenters and cabinet-makers. The latter were employed in factories or workshops and did a sort of work which was somewhat finer and more highly skilled than the house carpenters. These two groups of workers did not enter into competition with each other or have any jurisdictional disputes with each other until after the introduction of the revolving planer in the forties. After that period, some of the work of the old house carpenter was gradually absorbed by factories—the making of sash, blinds, doors, etc. Presently a new group of woodworkers appeared—the machine woodworkers. The work which the house carpenter of the first half of the nineteenth century did at the place where the house was constructed is now in no small measure performed in factories with the aid of various woodworking machines. The carpenter of today is chiefly an assembler of machine-made products.

The cabinet- or furniture-makers first felt the competition of this new type of woodworkers. The carpenters did not take interest in the machine woodworkers until after 1885. Then they began to realize that certain forms of the traditional work of the house carpenter were slipping from their grasp. The logical line of cleavage in the woodworking industry is drawn at the door of the factory. The problem of the organized carpenters differs materially from that of the machine woodworkers.

In the case of the former, competition between different localities is of little importance and wage scales may differ in different localities. With the machine woodworkers, on the contrary, it is necessary to equalize so far as possible the wage rates paid by competing firms. Nevertheless, the carpenters held that whatever forms of work had been theirs before the coming of the machines should still be placed under their jurisdiction. They refused to "allow a dual form of organization to exist" in this trade. The carpenters began to organize the machine workers.

In 1889, the jurisdictional struggle between the carpenters and the furniture workers, both affiliated with the American Federation of Labor, reached the convention of that body. A year later a new union of machine woodworkers was organized and, after some opposition on the part of the carpenters, it was admitted to the American Federation of Labor. In 1895, the furniture workers and the machine woodworkers united to form the Amalgamated Union. Year after year, since 1895, in the convention of the American Federation of Labor, the difficulties between the Amalgamated Union and the carpenters have been considered. The rulings were usually favorable to the former; but the carpenters steadfastly refused to relinquish their hold upon the factory workers. And, as the years passed, the carpenters increased in numbers and influence while the Amalgamated Union declined. Since Dr. Deibler's work was completed, the American Federation of Labor has reversed its policy. The Amalgamated Union was ordered to amalgamate with the carpenters.

This bitter struggle between two rival unions "has created a division in the organized forces in the industry, and has resulted in discrediting the movement in the eyes of employers. . . . . There has been an enormous waste of energy that should have been devoted to the improvement of the working conditions of the men who have had to support the financial burden of the fight. The course of the carpenters must be condemned for arbitrarily taking a stand, and fighting for this until the bitter end."

From the standpoint of the reviewer it seems that, on the part of the carpenters, this jurisdictional contest was an effort to gain control of the machines which were invading their trade. Unlike the linotype or the molding machine, the woodworking machines did not perform their work where the carpenters did theirs, and the machines were often owned and operated by employers other than those who hired the carpenters. Since the furniture workers and the machine woodworkers were organized, the struggle became primarily a jurisdictional dispute between them

and the carpenters rather than a contest between employers and the unions. This long dispute between two affiliated unions is an excellent example of the vacillating, never-cross-the-bridge-until-you-reach-it policy in jurisdictional struggles which has ever characterized the American Federation of Labor—temporize, recommend, and finally gracefully bow to the most powerful national union. It likewise gives an interesting sidelight upon the strength of the American Federation of Labor.

FRANK L. CARLTON

ALBION COLLEGE

Pan-Germanism. By ROLAND G. USHER. Boston: Houghton Mifflin Co., 1913. 8vo, pp. vii+313. $1.75 net.

Pan-Germanism is, in the author's own words, a defensive movement for Germany's self-preservation and also an offensive movement directed against England. Its aim is to create a mighty empire, by constructing a great confederation of states including Germany, Austria, Hungary, the Balkan States, and Turkey, and by depriving England of her possessions in the Mediterranean and in Asia. The author outlines the chances for and against such a scheme, and is inclined to question its success.

Pan-Germanism is a popular phrase in English-speaking countries and, without doubt, theories like Usher's are seemingly justified by certain articles in minor German newspapers and by the tone of certain pamphlets largely written or inspired by retired colonels and generals who picked up the pen after age and infirmity had forced them to unbuckle the sword. Lately a leading article of the *Berliner Tageblatt* defined German imperialism as the conquest of the world's markets by German goods. This statement shows Germany's aims in a very different light; and if we look at the work of responsible German statesmen since the Franco-German war, we cannot fail to see that Germany has not moved in the direction of territorial aggrandizement but has decidedly preferred commercial expansion. Her true intentions are not voiced by men like General von Bernhardi or the sensation-monger Maximilian Harden, but by the editorials of such leading newspapers as the *Berliner Tageblatt*, *Frankfurter Zeitung*, *Kölnische Zeitung*, and others. It would be very difficult to support Usher's theory from such sources.

Pan-Germanism and pan-Slavism, like pan-Islamism, pan-African-

ism, and other pan-isms, belong to the indispensable outfits of some newspaper editors, but the historians have had very few occasions to use them.

A. C. VON NOÉ

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Co-operation in Agriculture. By HENRY W. WOLFF. London: P. S. King & Son, 1913. 8vo, pp. ix+378. 6*s*.

In this work Mr. Wolff does in the field of co-operative agriculture what he has done in co-operative banking. His purpose is "to give a general outline of what has been accomplished with the addition of such suggestions for the adoption of co-operative methods as occasion may seem to call for." The chapter on General Principles will furnish a very good working guide for the establishing of co-operative societies. The writer's large experience in organizing such societies makes him an authority.

The chapters dealing with co-operative disposal of milk products, eggs and poultry, grain, live stock, and other produce, co-operative insurance, co-operative credit, the common use of machinery, and co-operation in land tenure are exceedingly full of data concerning the actual working of co-operative societies. The discussion deals with European conditions and perhaps cannot be adopted in America; but Sir Horace Plunkett's success in Ireland was due in a large measure to his willingness to learn from Danish and Dutch experiences. The experiences and facts gathered by Mr. Wolff from his close association with the problems make a valuable and timely addition to the literature on co-operative agriculture.

It is to be regretted that the presentation is not up to the standard of the subject-matter, and more particularly so because of the class most interested in the subject. The book is well worth careful study by those concerned in the problem of co-operation in agriculture but will not attract the general reader.

Who Pays? By ROBERT HENRY. London: George Allen & Co., Ltd., 1912. 12mo, pp. vii+72. $1.00 net.

This book attempts to show the real incidence of British income, customs, license, estate, and other taxes. The conclusion reached is that all are shifted to the consumer. A tax on incomes "works a hardship on those who supply the luxuries of the rich" and the laborer is the first to suffer by its increase and the last to benefit by its abatement. A levying of property rates adds to the cost of production, as they are paid out of profits and wages, and even license taxes increase supply cost and fall upon the consumer.

The author advises, wherever possible, that England increase her import duties and relieve home industries of such fetters as rates, liability insurance, licenses, etc. This, he maintains, is possible when foreign producers cannot

charge higher prices for their goods because of potential competition from producers in England. Customs duties are always shifted to the buyer of the taxed article. The argument is illustrated and supported by diagrams of supply and exchange of commodities, and sources of taxes.

The author is possibly slightly biased in favor of the large-income class and his reasoning is at times erroneous or fanciful. The book can hardly be said to contribute anything new to economic thought.

L'Agriculture au Katanga: Possibilités et réalités. Par A. Hock. Brussels: Misch et Thron, 1912. 12mo, pp. 305.

This book, published under the auspices of Instituts Solvay, as Part II of *Mission dans le Katanga*, describes the agricultural conditions of Katanga, a province in the southeastern part of Belgian Congo. The volume is an interesting study for prospective colonists and also for those who wish to become acquainted with the activities of Belgium in the exploitation and development of its African colonies. The soil and climate of this colony are declared to be favorable, but inefficient native labor and lack of transportation facilities have proved such a serious handicap that thus far only a small beginning has been made. However, the country is full of possibilities once the work preliminary to real development has been finished. Numerous illustrations and a map add to the interest of the study.

Mishnah: Baba Meziah, Order IV, Treatise III. Translated and annotated by Hyman E. Goldin. New York: G. P. Putnam's Sons, 1913. 8vo, pp. viii+205. $1.50.

The author of this book, who is a member of the New York bar, seeks to acquaint the reader with the fundamental principles of Jewish jurisprudence as laid down in the *Mishnah*. His interpretation of these principles in terms of our common-law language is an interesting effort, and is of great value to all students of the origin and development of law. The author hopes to continue this work by translating all treatises of the *Mishnah* that deal mainly with jurisprudence.

Histoire des doctrines économiques. Par Charles Gide et Charles Rist. 2d ed. Paris: Larose et Tenin, 1913. 8vo, pp. xvi+786. Fr. 12.50.

The second edition of this history of economic thought is not altered greatly from the first publication of four years ago. The revision has sought to bring the book down to date and to make some changes which criticisms of the earlier work have suggested. The chapters dealing with Malthus, List, the Christian Socialists, and the Hedonists have been most conspicuously altered.